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EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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Tuesday October 1 1991
D 8523A

NIGERIA
Muted applause for bank debt deal
Page 4

World News

Yugoslav army tanks move into Croatia

Two columns of Yugoslav arms tanks moved into Croatia yesterday after Croat forces had captured a key military base in their rebel republic.

The new troop deployment, coinciding with renewed fighting in Croatia, raised fears of a general mobilisation in Serbia. Page 22

Zaire leaders haggle
Leading Zairean opposition figures met President Mobutu Sese Seko to divide up jobs in an interim crisis government aimed at restoring calm after the recent rioting. Page 4

Haiti mutiny
Haitian soldiers fired on the home of President Jean-Bertrand Aristide during a failed coup attempt. The president was unhurt but 15 people were reported killed. Page 8

SA tax protests
Thousands of blacks demonstrated in South Africa against the introduction of Value Added Tax, which they say will badly hit the poor. Page 4

Spy chief named
President Mikhail Gorbachev named Yevgeny Primakov, one of his chief Middle East advisers, head of an intelligence agency which is likely to take over KGB foreign spy operations. Soviet news, Page 3

De Havilland debate
European commissioners are split on whether to block a Franco-Italian takeover of Canadian aircraft maker de Havilland. Page 22

Egypt renews plea
Egyptian foreign minister Amre Moussa repeated his government's call for Israel to stop building settlements in the occupied territories in return for an end to the Arab economic boycott of Israel.

Poll monitors accused
Zambian president Kenneth Kaunda accused foreign election observers of meddling in politics, alleging that some had urged people to join the main opposition party. Polling is due to start on October 31.

Jewellers stand trial
French society jewellers Jacques and Pierre Chaumet went on trial in Paris charged with fraud following the collapse of their business four years ago with debts of about $350m.

Oil spill settlement
Alaska's governor, Walter Hickel, said he had signed a settlement with Exxon and the federal government over the Exxon Valdez tanker oil spill of 1989.

Move to sack governor
Papua New Guinea's cabinet moved to sack governor-general Sir Serei Eri, who refused to oust a convicted political associate from parliament. Page 4

Tajik emergency lifted
Tajikistan's parliament voted to lift the state of emergency in one of the few Soviet republics still dominated by hardline communists. Emergency rule was imposed after opposition demonstrations. Page 3

Apology for killing
Northern Ireland police apologised for shooting dead a student during a bomb alert in County Tyrone. Kevin McGovern, 19, was returning home from a disco.

Athens smog crisis
All private cars will be banned from Athens city centre today as Greece takes emergency measures to fight air pollution. Smog sensors showed alarm levels had been exceeded.

Stamps go pop
Teenage queues are expected at Swedish post offices on Saturday when stamps picturing some of their favourite rock music stars go on sale.

Business Summary

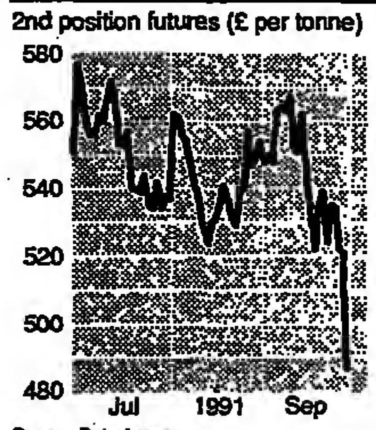
Renault truck subsidiary profits plunge to FFr28m

Another indication of the continuing recession in the world truck industry emerged with a collapse in half-year profits from Renault Véhicules Industriels (RVI), the world's third largest producer.

RVI, part of the Renault French state-owned carmaker, reported a fall from FFr517m ($90.7m) first-half group profits last year to FFr28m in 1991. Page 23

COFFEE: The decline in world market prices continued yesterday, taking London's November robusta contracts down £34 to a 16-year low of £487 a tonne. New York arabicas were down 3.35 cents at 82.35 cents a lb in late trading, after falling more than 3.5 cents on Friday. This was not so much because the International Coffee Organisation talks had failed to come up with any concrete way of boosting the market but because of weekend showers and forecast rain in Brazil's coffee growing areas. Commodities, Page 33

Coffee
2nd position futures (£ per tonne)



Source: Datastream

ISTITUTO Bancario San Paolo di Torino, Italy's second-biggest bank, ended speculation by announcing agreement with the Treasury to buy control of Crediop, the state-owned long-term lending institution. The deal is worth around L2,100bn ($1.7bn). Page 23

UNISYS, third largest US computer group, plans to spin off its $2bn per year defence systems operation through a public stock offering. Page 23

ASDA, fourth biggest UK grocery retailer, is urgently renegotiating borrowing arrangements with its banks and seeking to raise £357m ($621m) by way of a conditional rights issue. Page 24; Lex, Page 22

STEETLEY, UK building materials group and France's biggest producer of aggregates, saw half-year pre-tax profits fall 72 per cent from to £13.5m ($23.5m) to the end of June. Page 24; Continental decline contributes to fall, Page 32; Lex, Page 22

DURACELL, Connecticut-based battery maker which was taken private in a 1988 leveraged buy out is to sell a further 12m shares in a secondary stock offering. Page 26

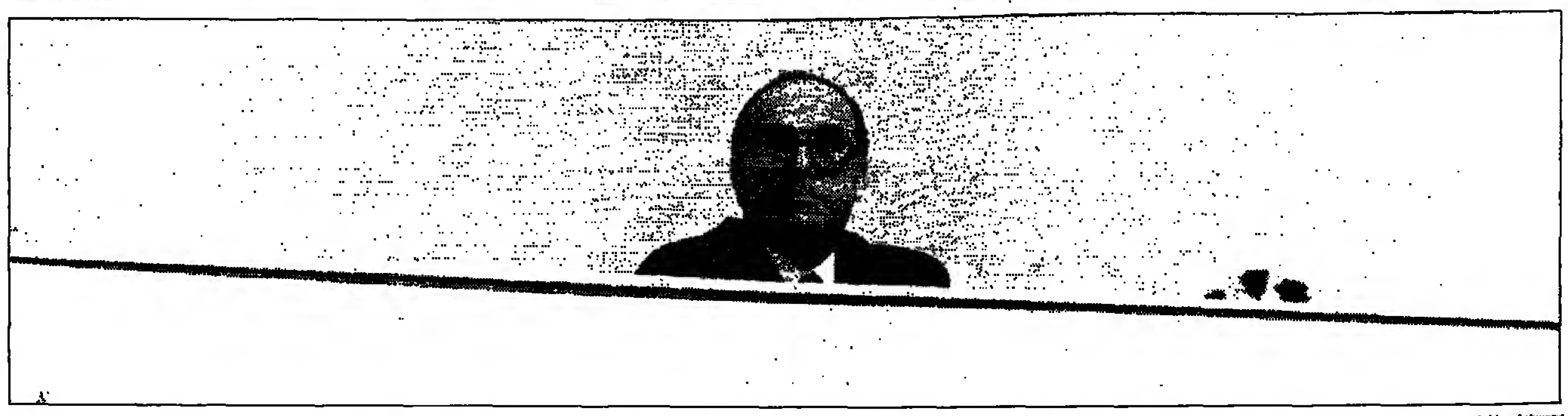
BOND Corporation Holdings, failed Australian group formerly run by Alan Bond, reported a loss of A$642m ($514m) for the financial year to the end of June. Page 27

GTE, which operates the largest non-Bell US telephone system, is considering the sale of its electrical products group to concentrate on telecommunications business. Page 26

FOOTWORK International, Japanese transport group, is to buy Harry W Hamacher, Germany's largest independent transport company, for DM100m ($61m) cash. Page 26

BENETTON, Italian clothing group, raised first-half net group profits by 21.3 per cent to L79.6bn ($63m). Page 24

ADELAIDE Steamship (Adsteam) group of Australia reported a consolidated annual net loss of A$1.57bn ($1.25bn) to June 30. Page 24



Ashley Ashwood

John Smith, the UK Labour party's 'shadow' chancellor of the exchequer, yesterday promised economic recovery for Britain in a speech at the party's conference. Story, Page 13

Soviet minister looks to 'breakthrough into nuclear-free world'

Moscow hopeful on N-arms

By Neil Buckley in Moscow and Lionel Barber in Washington

THE Soviet Union will respond positively to sweeping nuclear arms cuts announced by the US and will call on other nuclear powers to follow suit, Mr Vladimir Petrovsky, the Soviet deputy foreign minister, said yesterday.

Offering the first official Soviet response to President George Bush's arms proposals, he said: "The Soviet Union is ready to undertake appropriate actions", adding: "We do not exclude unilateral steps."

However, he said, "you know certain unilateral steps need also some kind of qualifications and consultations."

He added: "Today we have a real chance of a breakthrough to a nuclear-free world."

Mr Petrovsky said it was now a priority to start talks with Washington. He said Mr Boris Pankin, the Soviet foreign minister, who is in New York, had made contact with US officials and was ready to start immediate talks. He added that the Moscow was keen that any discussions should include proposals for a reduction in or complete ban on nuclear tests.

Interfax news agency reported that President Mikhail Gorbachev was considering counter-proposals which would be presented to the US within days.

Mr Alexei Obukhovm, the Soviet first deputy foreign minister, is to fly to Washington on October 10 for talks during which the US proposals will be analysed in detail.

Mr Bush, in a speech last Friday, suggested the most wide-ranging cuts proposed in nuclear forces for 40 years. They include the removal of US nuclear missiles from warships and the destruction of all ground-based, short-range nuclear weapons.

US officials say Mr Bush hopes his proposals will prompt deep cuts in the Soviet military budget and speed conversion of its economy from defence production.

Responding to Moscow's official statement, Mr Bush said he was "pleased with the Soviet reaction".

The administration wants cuts in Soviet defence spending to make the decline in the Soviet threat irreversible and to allow the union to realise its own "peace dividend".

Reductions in Soviet defence spending are also expected to be a pre-condition for future western financial aid to the Soviet Union.

A senior International Monetary Fund official said last week that the Soviet Union could make large savings through modest reductions in its "excessive" military budget.

A good deal of the money needed to help the country transform its economy could be realised through defence savings, the IMF official said.

Mr Michel Camdessus, IMF managing director, is considering calling for agreement on global defence spending cuts between the US and the Soviet Union at this month's joint annual meeting with the World Bank in Bangkok.

In Moscow, Mr Petrovsky noted that Britain and France had responded positively to the Bush initiative and hoped other countries would join the arms reduction process.

He said Mr Bush's proposals created an opportunity for "dismantling hypertrophied military structures" and converting military industries for civilian use, which was necessary on both sides.

The issue of defence conversion is attracting high-level attention in Washington. Mr Donald Atwood, deputy US defence secretary and a former senior General Motors executive, is due to visit Moscow this month to assess Soviet needs and offer advice.

Mr Dick Cheney, US defence secretary, said Mr Bush's offer unilaterally to withdraw nuclear arms and eliminate other long-range weapons offered the Soviet Union "a chance to free themselves of the expensive drag on their economy which they do not need and cannot afford."

He added: "It gives the Soviets the incentive they need to shift their country away from the business of cranking out nuclear weapons and toward the work of building democracy."

Mr Yevgeny Shaposhnikov, the new Soviet defence minister also welcomed the US proposals.

In an interview with the Japanese news paper Yomiuri Shimbun, he said he was pleased to note that Washington no longer considered the USSR to be its main enemy.

Dutch to reassess political union plan

By David Buchan and David Gardner in Brussels

THE DUTCH presidency of the European Community last night responded to heavy pressure from 10 of its partners to abandon its proposals for closer political union.

It agreed to treat its plan – which seeks to give greater powers to the European parliament and to create firmer links on foreign and internal security policies – only as amendments to an earlier treaty drafted by Luxembourg.

Mr Hans van den Broek, the Dutch foreign minister, said after a three-hour meeting with his counterparts from other EC countries: "If the majority feel that only by changing our approach we have a reasonable chance of success, then we have to go along with it."

Mr van den Broek asked for time to reflect on the presidency's next step.

Mr Douglas Hurd, the UK foreign secretary, complained that halfway through its presidency the Dutch government had come up with "a radical rewrite" of the draft text on political union. Political union was important, he said, "but not at any price".

Luxembourg's draft treaty with its references to "a federal goal" for the EC and extension of majority voting, still posed the UK many problems, Mr Hurd said.

"But we should", he went on, "use it as a quarry or reservoir (for ideas) and work on the Luxembourg text, in order to maximise the possibility of agreement at Maastricht".

Speaking for pro-federalist Italy, Mr Gianni de Michelis said the Dutch were in effect trying to start the political union negotiation all over again. "We risk going down a dead end," he warned.

Another sign of the widely differing motives of the Dutch plan's opponents came from Mr Roland Dumas, the French foreign minister. "Returning to the Luxembourg text would make the British more flexible", he forecast.

Though that was certainly not Britain's intention in leading the campaign against the Dutch plan, some suppleness in the UK position may be the price of forcing the Dutch presidency to backtrack.

Criticism of the Dutch draft also came from neutral Ireland, pacifist Denmark and Atlanticist Portugal, who all dislike bringing security and defence policy within the EC remit.

"It's not exactly a Dutch master," said Mr Gerry Collins, Ireland's foreign minister.

Mr Uffe Ellemann-Jensen, Denmark's foreign minister, said: "If every presidency is going to use the first three months of its term to re-invent the wheel – and to recast it in its own mould – the Community is not going to get far."

Only Belgium and the Commission spoke up unequivocally in favour of the Dutch plan.

UN team leaves Iraq with details of nuclear detonator

By Michael Littlejohns at the UN and Victor Mallet in London

A TEAM of United Nations inspectors arrived in Bahrain yesterday laden with documents about Iraq's nuclear weapons programme and said it had evidence "of Iraqi interest in a detonation system for a nuclear device".

Iraq had "hitherto steadfastly denied" any such interest, Mr David Kyd, spokesman for the International Atomic Energy Agency in Vienna, said.

Mr Kyd said the team also had evidence of Iraq's dealings with foreign companies which manufacture some of the equipment necessary for a nuclear programme.

He said the names of companies which had signed contracts with Iraq would certainly be communicated to the relevant governments.

Some of the companies concerned, dealing with intermediaries and selling products which could have innocent civilian applications, may not have realised the significance of what they were doing, he said.

Mr David Kay, leader of the 44 inspectors who left Iraq yesterday having completed part of their work, declined to identify any companies but said there was detailed information on financial transactions between Iraq's nuclear project and foreign suppliers.

Mr Kay told reporters the documents included 25,000 pages of documents, 19 hours

Continued on Page 22

Shopping and socialism meet on Stalin Square

By Robert Thomson recently in Dalian, northern China

IN SHOPPERS' Paradise in Dalian, young women merchants hawked their wares at the top of their voices: shoes from Shanghai, baby clothes from Xiamen, trousers destined for Tokyo that had fallen off the back of a bicycle and were on special offer this Sunday, and this Sunday only.

The People's Daily, meanwhile, yesterday carried a full page commentary exhorting the masses to "develop" Marxism.

Beijing's socialist rhetoric may still speak of the class struggle, but in the real world of Dalian, far removed from the elderly revolutionaries who want to be told that the people remain true to communism, provincial officials are busily blocking off even more city streets for an ever larger Shoppers' Paradise.

Shoppers' Paradise, in Stalin Square, highlights what Chairman Mao might have called the contradictions of modern China.

Stalin still gets a mention at the heart of this northern port city – his troops liberated Dalian from the Japanese in 1945 – but the hustling merchant's interest in Moscow extends only to selling Soviet sailors a pair of jeans.

Even the state is after a piece of the action. The multi-coloured flags that once heralded a crackdown on spitting or a drive against jay-walking were flying in central Dalian beckoning punters to try their luck in a state lottery – for one yuan you could win 1,000 and for a two yuan ticket the top prize was 4,000, about 10 months' salary in this part of China.

About 200 people gathered around a bank of television sets in a shop window to watch a Hong Kong comedy video about a new intake of women police officers. It was more ribald than the local product, but drew in soldiers of the People's Liberation Army, who giggled at the foul language and crowded in for a closer look.

The "contradiction" even comes over on China Central Television. Nightly broadcasts feature factory visits of senior cadres, the meetings of senior party committees, taking great care to list the names of those present in order of revolutionary rank.

On the Saturday night news, hardline security chief, Quao Shi, dressed in a Mao suit, delivered a report.

Once the news is over, it's prime time for advertising, replete with "bourgeois" images damned by cadres a few minutes earlier.

It could be a western-style living room enhanced with a Toshiba VCR or a Matsushita television set. Or the Chinese equivalent of the harried western executive, whose energies are revived by a traditional pep pill.

The famed 999 powder for indigestion, for example, shows a nattily dressed couple, with

Continued on Page 22

THE FINEST MECHANICAL TIMEPIECES SINCE 1875.

For those who will not settle for second best, there is only one name. The name that connoisseurs and collectors have come to know and admire as the ultimate in watchmaking.

Heinz Heimann SA

Audemars Piguet

La plus prestigieuse des signatures.

Audemars Piguet & Cie S.A., 1348 Le Brassus, Switzerland

CONTENTS

MARKETS

BAT deputy chairman defends financial services strategy

Brian Garraway (left) deputy chairman of BAT Industries, aims to restore profitability at Eagle Star, the loss-making general insurance subsidiary whose chairman Michael Butt recently resigned
Page 23

STERLING
New York lunchtime:
$1.7505
London:
$1.753 (1.7375)
DM2.915 (2.9125)
FFr9.925 (9.925)
SFr2.54 (2.535)
Y232.75 (231.75)
£ Index 91.1 (same)

GOLD
New York: Comex Dec
$357.3 (352.4)
London:
$354.55 (348.85)

N SEA OIL (Argus)
Brent Nov
$21.05 (21.175)

Chief price changes yesterday: Page 25

DOLLAR
New York lunchtime:
DM1.664
FFr1.56697
SFr1.4505
Y132.85
London:
DM1.6625 (1.677)
FFr5.6625 (5.7125)
SFr1.4485 (1.4595)
Y132.80 (133.5)
$ index 64.3 (64.8)
Tokyo close: 132.95

US LUNCHTIME RATES
Fed Funds: $5\frac{3}{8}$%
3-mo Treasury Bills: 5.25%
Long Bond: $103\frac{11}{32}$
yield: 7.806%

STOCK INDICES
FT-SE 100:
2,621.7 (+22.7)
FT Ordinary:
2,021.6 (+2.7)
FT-A All-Share:
1,265.98 (+0.7)
New York lunchtime:
DJ Ind. Av.
3,009.84 (+3.8)
S&P Comp
386.83 (+0.93)
Tokyo: Nikkei
23,916.44 (-53.03)

LONDON MONEY
3-month interbank:
$10\frac{3}{8}$% ($10\frac{9}{32}$)
Liffe long gilt future:
$96\frac{5}{32}$ (Dec 96)

EUROPEAN NEWS

World Bank loan held up by Bucharest riots

By Judy Dempsey in Bucharest

A $300m World Bank loan, due to be granted to Romania next month, has been postponed because of the miners' riots in Bucharest last week, Mr Mugur Isarescu, head of the central bank, said yesterday.

Without financial assistance from western institutions, he said, any new transitional government would find it difficult to press ahead with economic reforms.

The structural adjustment loan would have facilitated the internal convertibility of the lei, the unit of currency. Mr Isarescu had been due on Saturday to unveil a monetary reform package leading to the lei's internal convertibility but this was also put off because of the riots which toppled Mr Petre Roman's government.

Mr Isarescu did not say when the World Bank would resume negotiations for the loan, nor was he certain if the first tranche of $800m in grants and loans from the Group of 24 countries, agreed this year and due to be released finally in November, would go ahead.

Discussions on a broad-based coalition government are already running into difficulties over who should become prime minister. President Ion Iliescu yesterday continued negotiations with the country's main political parties.

Mr Isarescu said the population had not been prepared for the government's reforms, partly because the media did not explain them and partly because people were set against another period of privation after decades of suffering under Ceausescu.

The government had been under pressure from the International Monetary Fund to liberalise prices and lift subsidies on food and other consumer items in order to obtain IMF credits, and had not concentrated enough on providing a social safety net.

"The IMF was one of the few financial institutions which was prepared to lend to us. We desperately needed those credits to make the difficult transition to the market economy," he said. The implication is that any Romanian government is going to be caught between the demands of the IMF and the need to pacify a volatile population unprepared for the vicissitudes of the market economy.

Mr Isarescu said the new leaders would have to think hard about the pace of reform.

"Under such circumstances, sections of the population can be manipulated both by the far left and the far right," he said, adding that Romania's reforms were now "in a vicious circle".

ANGRY DUTCH farmers trapped European Community agriculture ministers in a luxury rural hotel for several hours yesterday, then dug up the grounds with tractors and sprayed manure in protest against plans to cut the soaring cost of the Community's agricultural policies, Reuter reports from Amsterdam.

Farmers scuffled with police, and two were arrested as they sprayed manure and seeds and turned the wheels of their tractors in the grounds of the hotel in the northern village of Beetsterzwaag, a Reuter photographer said. About 200 farmers surrounded the hotel at 5am demanding to speak to several of the ministers before today's informal EC meeting in Leeuwarden. Most of the EC party was allowed to leave on foot for a tour of agricultural sites after two officials agreed to hear the farmers' demands.

Up to 200,000 French farmers demonstrated in Paris on Sunday against EC farm reforms which would impose output quotas and subsidise incomes instead of production.

Cyprus hurdle cleared for EC-Turkey talks

THE European Community cleared the way yesterday for the first formal talks with Turkey for five years when foreign ministers from the 12 member states agreed a statement on Cyprus to put to their Turkish counterpart, Reuter reports from Brussels.

The wording of the EC statement was slightly toughened at the insistence of Greece, Turkey's traditional adversary, but Turkish and EC diplomats said the EC-Turkey Association Council meeting would go ahead as planned yesterday evening.

The last time the council attempted to meet in 1988, Turkey boycotted the talks on learning Cyprus would be mentioned – at Greece's insistence – in the Community's opening statement.

Since then, Turkey has moved closer to the West, especially by supporting the US-led coalition against Iraq in the Gulf War. Two-way trade between Turkey and the EC was more than $16bn last year.

Greek foreign minister Antonis Samaras told Greek journalists the amended text referred to the issue of human rights, stated that Turkey should maintain good relations with all EC member states, and pointed out that only a unanimous decision by the 12 EC states could unfreeze the Community's fourth financial protocol for aid to Turkey.

Turkey alone recognises a self-proclaimed Turkish-Cypriot state protected since 1974 by Turkish troops in the northern third of the island.

Symbolising the desire of the EC to improve Turkish ties, Mediterranean affairs commissioner Abel Matutes and Turkish foreign minister Safa Giray yesterday signed aid projects worth more than $6m.

In a separate statement, Mr Samaras said Greece would continue to impede the development of Turkish-EC relations for as long as the Cyprus problem was not solved. He said Greece opposed the unfreezing of the fourth financial protocol, worth $720m, which has been blocked since 1981, or the inclusion of Turkey in expanded EC Mediterranean aid policies.

EC agrees on pacts with E European states

By David Buchan in Brussels

THE EC yesterday paved the way for Poland, Hungary and Czechoslovakia to sign association agreements with Brussels, with the prospect of free trade within 10 years and eventual EC membership.

The breakthrough came when France bowed to pressure from its EC partners and dropped its opposition to improved access to the EC market for meat from central Europe which has been piling up in cold stores since the Soviet Union stopped being able to buy it this year.

France won a commitment that the EC would first do its best to offload the extra meat on the Soviet market and that only if this failed would the EC take it.

The Poles and Hungarians had threatened to ditch their EC negotiations unless they got extra EC market access for food products.

Civil servants to strike

EUROPEAN Community civil servants are set to renew industrial action – dormant for the last two or three months – with a two-day strike, starting tomorrow, in defence of their salary package, Andrew Hill writes from Brussels.

Union representatives were yesterday meeting the Dutch, who are chief negotiators.

Mr Loek Rijnoudt, secretary-general of the European Civil Servants' Federation, said that although there was "some sign of movement" in the meeting, it was likely that the EC institutions' 25,000 civil servants would be asked to strike tomorrow and Thursday.

Civil servants want to retain the method used to calculate their salaries, linked to the average wage increase of the EC's national civil servants and to the average EC inflation rate.

Italy set to approve 1992 budget

By Robert Graham in Rome

THE ITALIAN government was last night set to approve a 1992 budget with only token gestures to tackle the mounting public sector deficit.

The budget aims to hold down the public sector deficit to L127,000bn (£58bn) by finding an extra L57,000bn (£26bn) through increased tax receipts and accelerated privatisation.

Discussion of the budget has emphasised the divisions within the four-party Christian Democrat-led coalition. The compromise is expected to reflect few of the measures needed to bring Italy's public finances into line with its European Community partners.

The main measures are expected to be a tax pardon for 1986-1990 in return for a lump payment, an increase in health prescription charges and privatisations, and reduced health outlays and curbs on public sector wages next year, to a 4.5 per cent ceiling.

Croatia to continue independence drive

CROATIA'S foreign minister yesterday ruled out any further delay in the breakaway Yugoslav republic's move towards independence, Reuter reports from Zagreb.

At a news conference in Zagreb, Mr Zvonimir Separovic said the Croatian government would not extend a three-month moratorium on its quest for state sovereignty that was agreed with the European Community and expires on October 7.

"We will not accept any prolongation of the moratorium. We are going to go on with our independence," Mr Separovic said.

He was speaking as EC foreign ministers met in The Hague amid reports that they might ask Croatia and neighbouring Slovenia to extend the moratorium to provide more time for peace negotiations to settle the Yugoslav crisis. Both republics declared independence on June 25 but delayed implementation under an accord reached with the EC.

"It's hard to bargain what decision is going to be made in The Hague but we believe that such a decision would be unjustified," Mr Separovic said when asked how Zagreb would react to a request to delay independence further.

He said Croatia would open embassies in the Baltic states and in Slovenia as soon as it had formally proclaimed independence.

A session of the Croatian parliament is scheduled for October 8 and 9.

Mr Separovic said Croatian President Franjo Tudjman had written to the EC foreign ministers in The Hague, asking them to press the Yugoslav army and Serbian irregulars to leave Croatian soil. "We demand that Europe puts pressure on the army to withdraw not only to barracks but [also] out of Croatia," he said.

"Also the other formations [Serbian guerrillas] that infiltrated Croatian territory illegally," he added.

Asked to comment on reports that two columns of federal troops had left the Yugoslav capital Belgrade yesterday in the direction of Croatia, he said: "We cannot tell what is going to happen in the next 48 hours, but the situation is very serious."

Role for WEU in Yugoslavia peace process

THE Western European Union defence organisation was yesterday put at the disposal of the EC-run peace conference on Yugoslavia, in a decision which brings closer the prospect of the EC sponsoring the sending of peace-keeping troops, David Gardner reports from Brussels.

Lord Carrington, the former UK foreign secretary who chairs the conference, is now virtually empowered to convene the WEU if and when he judges that it could reinforce the peace process. Such a meeting could be called "at a few hours notice", said Mr Hans-Dietrich Genscher, the German foreign minister presiding over the WEU: "The WEU is putting itself at the service of the peace conference."

Defence ministers of the WEU, to which nine of the EC 12 belong, met in Brussels yesterday alongside Community foreign ministers, to consider a WEU-prepared list of options the two groupings agreed to draw up on September 19. These are: to reinforce the 90 or so EC monitors in Croatia logistically; to provide them with armed "escort and protection"; to send a lightly armed peace-keeping force to Croatia (of 5,000-6,000 troops); or to send a full-fledged truce-policing force of 25,000-50,000 troops.

The UK was alone in opposing all four options although it was agreed that all but the first would require the consent of all the Yugoslav parties and a ceasefire with some prospect of holding. "It depends on the situation," a senior British diplomat said, "but as of now we have very strong reservations about any of that."

France argued that the EC-WEU – a tandem it sees as the germ of an emerging European defence identity – should push for a full-blooded peace-keeping force.

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Kevlar*, Nomex* and Tyvek*: Three lifesavers from Du Pont.

When Captain Brown and his men go into action, they have to be quick but cautious. Their task is to protect people and the environment, in particular against dangerous toxic substances, contaminated dust and similar hazards.
Protective clothing can be a matter of life or death, in this job as well as in many others. For example, in bullet-resistant vests, or flame- or chemical-resistant overalls, KEVLAR and NOMEX III fibres and TYVEK spunbonded olefin play a vital role.

Cleanroom protective clothing made from TYVEK (Photo: Hoffmann-La Roche Inc.)

Tyvek also guards against invisible hazards.
Protective clothing of TYVEK is used wherever people come into contact with toxic substances or aggressive chemicals. TYVEK is a non-woven fabric that acts as a barrier. Not even minute pollutant particles or bacteria measuring no more than half a thousandth of a millimetre can penetrate this highly dense material. Garments made from TYVEK not only keep out asbestos dust and other dangerous particles, but also provide effective protection against chemicals during crop spraying. In cleanrooms, protective clothing of TYVEK prevents particles given off by the skin from contaminating work areas, where even the smallest amount of dust would be a problem in microchip production, for instance.
Very light and exceptionally tear-resistant.
TYVEK is a spunbonded olefin material produced by a unique process from millions of ultra-fine polyethylene fibres. The result is a lightweight material that combines the finest properties of film, fabric and paper. It is waterproof, has high tensile strength, is tear-resistant and unaffected by a large number of chemicals. No other material is so impenetrable, so strong, so light, yet breathable. Coated versions of TYVEK are available to suit requirements in terms of barrier performance for specific toxic chemicals. Contact Du Pont for details from our permeation guide data book.
Nomex III – The fibre for fire-risk applications
Whenever fire and heat are involved, time is of the essence. A protective garment of NOMEX III can provide protection against fire for a critical period.
NOMEX III is a blend of NOMEX meta-aramid and KEVLAR para-aramid. The inclusion of KEVLAR prevents the material from breaking open when exposed to flame, and thus the skin is protected longer from the effects of heat. This invaluable feature makes NOMEX III superior to other heat-and flame-resistant materials.

Firemen' protective overalls made from NOMEX III

NOMEX III has another major advantage: its flame resistance is retained permanently, unaffected by either frequent washing or wear. And since the material made from this fibre is as much as 40% lighter than flameproof cotton for the same protective performance, garments made with NOMEX III are also more comfortable to wear.
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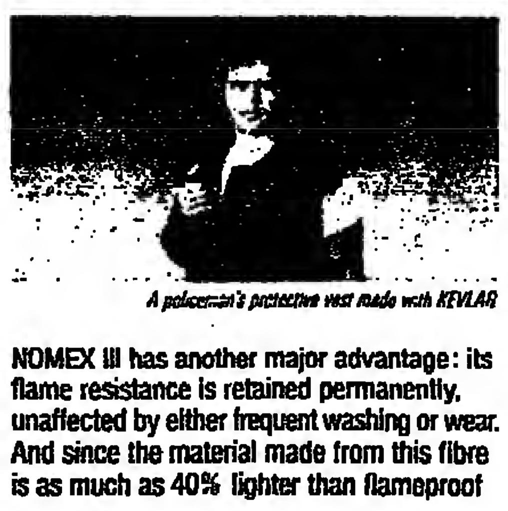

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Study predicts increasing Japanese competition

W Europe car market growth set to slow

By Kevin Done, Motor Industry Correspondent

GROWTH in the western European car market in the 1990s is expected to slow significantly from the levels of the 1980s, and western European car makers' share of the expansion will contract in the face of increasing Japanese competition according to a report published yesterday.

The study, Year 2000 And Beyond – The Car Marketing Challenge in Europe, also says Europe's car distribution methods are "fragmented" and "fundamentally flawed".

The report, published by Ludvigsen Associates, the UK-based automotive analysts, is critical of car manufacturers' policies towards their dealers and claims that their "publicly-stated dedication" to the selective dealer franchise system is contradicted by their own marketing and sales policies.

It estimates that as many as 40 per cent of the cars sold in western Europe pass through channels outside the control of the franchised main dealers as a result of the makers' growing direct involvement in car sales and business fleet trading.

The study forecasts that growth in western European new car sales will slow to around 2.4 per cent a year in the 1990s from the 3.4 per cent a year growth in the whole of the 1980s and the 4.5 per cent annual expansion in new car registrations from 1985 to 1990.

The growth available to the traditional western European car makers (including Ford of Europe and GM Europe) is estimated at a much lower average rate of 1.3-1.4 per cent a year, however, as Japanese brands begin to take more than half of any growth in the market.

The report forecasts a rise in the overall western European new car market to 16.1m in 2000 from 13.26m last year. The share of the Japanese producers is forecast at 17.5-19.1 per cent in the year 2000, compared with 11.6 per cent last year, depending on the rate at which Japanese car makers expand their local European output.

The report suggests that the car plants under development by Japanese car makers in western Europe and by western car makers in eastern Europe will contribute to "significant levels of overcapacity in the European market place".

It forecasts that the overcapacity could amount to 21 per cent or 3.6m units by the end of the 1990s. "Considerable market instability will result. Closure of several older and uncompetitive major production plants will be inevitable."

The study claims that the cost of selling a car – distribution, sales and marketing costs – in Europe range typically from 30 to 35 per cent of the net, pre-tax price of a car. It says car makers and importers are concentrating on reducing this "mammoth unproductive overhead".

The Ludvigsen report says the European car retail network, with 59,000 franchised outlets and at least another 49,000 sub-dealers, is "high-cost and excessively dense", with an average sales rate of 122 cars per dealer each year, only a third of the rate in the US.

With only limited growth forecast for the 1990s, western European car makers must make "sharp improvements" in distribution efficiency.

Year 2000 And Beyond - The Car Marketing Challenge in Europe. Euromotor Reports, 105/106 New Bond Street, London, W1Y 9LG. Price £1,750.

Georgian talks hit deadlock

SUPPORTERS and opponents of Georgian President Mr Zviad Gamsakhurdia were deadlocked yesterday after the breakdown of negotiations to end the crisis that has brought Tbilisi to the brink of civil conflict.

No new talks were planned after the opposition refused demands to disarm. Mr Gamsakhurdia, addressing another large rally outside the government palace yesterday, repeated his promise of an amnesty for opposition members who laid down their arms.

Sporadic violence continued in the capital. On Sunday night, four people were injured in an explosion outside the opposition headquarters in the republican television centre.

Opposition leaders said the blast was caused by a grenade fired from a grenade launcher by government Omon troops. They claimed a similar explosion occurred near the government headquarters at the same time, in a deliberate attempt to draw the two sides into conflict.

Right: An unidentified Georgian National Guardsman and opposition supporter shows his son his Kalashnikov assault rifle in Tbilisi yesterday.

Haughey may face challenge for leadership

By Tim Coone in Dublin

IRELAND'S prime minister, Mr Charles Haughey, faces a possible leadership challenge from within his Fianna Fail party tomorrow following a series of controversies which have rocked his government.

A parliamentary party meeting has been called to discuss the controversies, which resulted in the resignation last week of the heads of three state-run companies: Telecom Eireann, the Customs House Dock Development Authority and Irish Fertiliser Industries.

Four prominent backbenchers have issued a public statement criticising Mr Haughey's handling of the controversies in a move being likened to three previous efforts to oust Mr Haughey from the leadership in 1982 and 1983.

There is growing concern within the party that the controversies have severely damaged the government's credibility, and that the Progressive Democrat partners in the ruling coalition may come under grass-roots pressure to withdraw from the government.

This could precipitate early elections in which Fianna Fail would suffer losses, according to opinion polls published over the weekend. Mr Haughey's critics within the party are therefore saying it would be better for him to step aside to save the government and the party's declining fortunes.

One of the four backbenchers, Mr Noel Dempsey, said that "if everybody speaks their mind" at the meeting the pressure could be enough to persuade the premier to step down. Haughey aides said he was "absolutely confident" of his position.

● Public hearings in Ireland's tribunal of inquiry into the beef industry began yesterday and were then adjourned until October 9. Justice Liam Hamilton, the chairman, said the adjournment would allow the parties to the inquiry "a reasonable opportunity" to study the quantities of documents submitted since the tribunal was set up in June.

The inquiry is focusing on allegations of fraud and malpractice made against Goodman International, Europe's biggest beef processor, and of alleged political favouritism given to the group by the present government.

Tajik parliament agrees to lift state of emergency

By Neil Buckley and Gillian Tett in Moscow

THE TAJIK parliament yesterday voted to lift the state of emergency in Tajikistan, one of the few Soviet republics still dominated by hardline communists, the news agency Tass reported.

The decision followed an emergency session in response to the continued unrest in the republic.

A state of emergency has been in force in the capital, Dushanbe, for over a week after thousands of supporters of the opposition democratic parties gathered in the main square to demand the resignation of Mr Rakhmon Nabayev, the Tajik president. Mr Nabayev seized power three weeks ago in what opposition leaders have called a communist coup.

He is believed to be even more authoritarian than the previous Tajik president, Mr Kakhor Makhkamov, who was ousted after the collapse of the coup last month in Moscow, which he allegedly supported.

Mr Nabayev led the Tajikistan Communist party in the early 1980s before he was replaced by Mr Makhkamov following allegations of alcoholism and corruption.

Mr Nabayev told opposition leaders at the weekend the state of emergency would be lifted, but the protestors said they would step up their demonstrations if Mr Nabayev remained in power.

Republics to discuss co-operation

LEADERS OF the former Soviet Union, including representatives from the now independent Baltic states, meet in Alma-Ata today to consider possible co-operation in tackling a ferocious economic crisis, writes Leyla Boulton in Moscow.

A draft treaty of economic union, completed at the weekend by experts, will be on the agenda, although it will not be signed in the Kazakh capital as originally hoped.

If the politicians can agree on the treaty it may be signed in Moscow later this week.

The three Baltic states, which will also be represented, have already made clear that they will not sign the treaty, even though they are likely to co-operate on common programmes which concern them.

● President Mikhail Gorbachev and the Austrian Chancellor Mr Franz Vranitksy may attend the launch tomorrow of the first Kazakh and Austrian cosmonauts from the space centre of Baikonur.

● Authorities on Sakhalin Island in the Soviet Far East said yesterday they would fight any attempt to transfer four of the nearby Kurile Islands to Japan and urged workers to oppose such moves with protests and strikes.

They believe Russia wants to return the disputed islands for cash from Tokyo.

Commission concern over rouble

THE Soviet Union could plunge into economic anarchy if republics scrap the rouble for a host of competing currencies which are not convertible, according to Mr Henning Christophersen, European Community economy commissioner, Reuter reports from Moscow.

Speaking during a flight to Moscow on Sunday for two days of talks on the Soviet economy, Mr Christophersen also warned that Soviet energy exports could grind to a halt next year unless the economy stabilised.

It was only a matter of time before the Soviet Union would need fresh credits from the west. "What is not clear is in what way they will get it," he said. A coherent economic reform programme needed to be agreed with the International Monetary Fund.

The commissioner said he could not be in a position to offer either food aid or financial support to Moscow during his visit. But he said the west had to respond to Moscow's plea for some $14.7bn in food aid by the end of October.

It was clear from talks among the Soviet Union's 12 remaining republics that the rouble would not survive as the single currency of whatever economic arrangement emerged from the negotiations, Mr Christophersen said.

Portugal catching up EC partners, says minister

By Patrick Blum in Vilamoura

THERE HAD been "real convergence" between Portugal and its European Community partners since 1986, the year that it joined, with living standards now closer to the European average, Mr Miguel Beleza, the country's finance minister told a meeting of international bankers yesterday less than a week before Sunday's general election.

He singled out inflation as the only serious cause for concern. Economists warn, however, that the favourable conditions Portugal has enjoyed may be ending, and restructuring key sectors of the economy has still be tackled.

Mr Beleza said gross domestic product had risen an average 4.6 per cent annually in the period, compared to an EC average of 3.1 per cent. Growth was led by strong exports and investment which had both gone up by about 11 per cent in real terms, enabling Portugal to modernise its infrastructure and industry.

Foreign direct investment had boomed, its share of GDP rising from 0.6 per cent in 1986 to 3.7 per cent last year. Unemployment had fallen from 8.4 per cent to about 4.2 per cent.

Official reserves of $21.3bn were higher than external debt which had been brought down from 53.9 per cent of GDP in 1986 to 28.9 per cent. Inflation had been reduced from an average rate of 23 per cent in 1981-1985 to about 11.3 per cent over the past five years, but continued to present a "difficult problem".

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Zairean leaders haggle with Mobutu on portfolios

By Julian Ozanne in Kinshasha

ZAIRE'S leading opposition figures were yesterday closeted with President Mobutu Sese Seko and senior members of his ruling party, dividing up jobs in an interim crisis government aimed at restoring stability after last week's rioting left at least 117 dead.

The formation of a new government, under an opposition prime minister, in small private meetings with the president has fuelled suspicions that Mr Mobutu may once again be using tactics of co-option, patronage and apparent compromise to outmanoeuvre his opponents and ensure his hold on absolute power remains unfettered.

Mr Marcel Lihau, a leader of the opposition Union for Democracy and Social Progress party said the most important issue to be tackled in yesterday's talks would be "who will really govern between the president and the prime minister, and what will happen to the power of presidential veto." Mr Mobutu has traditionally wielded a monopoly of power over defence, security and public expenditure.

However, even with the rules of "cohabitation" resolved amicably, a question mark will still hang over the ability of the opposition to govern Zaire in a responsible fashion. The apparent infighting and dithering of the opposition, and its failure to articulate a programme to restore law and order and resuscitate the devastated economy, has contributed to fears that personal conflict and lust for power and wealth are its primary motivating factors.

Mr Mobutu's one-party state and the pervasiveness of the ruling Movement Populaire pour la Revolution at every level of political and economic life since its creation in April 1966 has hampered the development of an opposition and made politics a path to wealth.

Most of the men gathered at the talks have served in previous governments and their credibility as politicians seeking a democratic order is seriously tarnished.

No one is a better example of this than Mr Jean Nguz a Karl-I-Bond, leader of the prominent UFERI party, presidential candidate and nephew of Mr Moise Tshombe, one of the post-independence leaders of the Katangese secessionist movement. Mr Karl-I-Bond has served four times as minister of foreign affairs. He was director of the political bureau of the ruling party in the 1970s and Mr Mobutu's prime minister between 1980 and 1981. Between those periods he was arrested, tortured and sentenced to death for alleged treason during the Shaba crisis of 1977-1979. He went into exile in 1981, severely criticised Mr Mobutu from abroad and was spokesman for a coalition of opposition parties. But he returned to Zaire in 1985, endorsed the president's rule and again joined the government until April 1990. Mr Tshisekedi, the longest-standing opposition figure, also served Mr Mobutu as minister of interior and minister of justice.

Some Zaireans believe this previous involvement with Mr Mobutu augurs ill for the interim government. Mr Mobutu has exploited the opposition's lack of credibility and organisation to the fullest to bolster the view that he alone can prevent the country from sliding into tribal civil war.

Japan challenges US aid figures

By Stefan Wagstyl in Tokyo

JAPAN HAS challenged the US in an arcane diplomatic dispute over overseas aid, military spending and international book-keeping.

Every year, a committee of the OECD in Paris draws up a league table of donors of official development assistance (ODA). The US has always been at the top of the list but its lead has in recent years been reduced by some European countries and, especially, by Japan.

The table is usually published in June. But this year, the report is being published only today. The US, jealous of its position at the top of the table, wants to include in its score, the forgiveness of $1.3bn (£740m) in loans to Egypt, money which the Egyptians borrowed to buy American arms. Some European countries, which have also used development funds to boost arms exports, support the US position – notably France.

But Japan has said no to including the write-offs in the list – ODA is supposed to encourage economic development not armaments. They warn in a report: "The government is concerned that it will become more difficult to maintain the support of the Japanese public for increasing Japan's ODA budget for the future."

The US argues that it does not matter what past loans were used for. The act of forgiveness in itself releases funds for development because it frees the debtor of repaying the borrowed funds.

Japan counters that as long as military loans are not counted as ODA by the OECD (they are not) then the forgiveness of such loans cannot be counted either. "We are serious about this," said a Japanese foreign ministry official yesterday.

Today's report contains a classic diplomatic fudge. Each country's total is calculated on its own terms – so the US figure contains the forgiven loans. But the aggregate total for all donors excludes the forgiven debt.

Nomura accused in stock trading row

By Stefan Wagstyl

NOMURA Securities, the scandal-hit Japanese broking group, has been accused by the ministry of finance of infringing securities law in its trading of stock in Tokyu Corporation, a railway and property company.

Mr Ryutaro Hashimoto, the finance minister, yesterday told MPs that Nomura had broken a law banning brokers from dealing too heavily in a given stock in its trading of Tokyu shares in late 1989.

But Mr Hashimoto said the ministry had found no evidence to support allegations that Nomura had manipulated Tokyu stock – a much more serious charge.

Mr Hashimoto said the ministry would punish Nomura by administrative order. The statement was seen in Tokyo as an effort by the finance ministry to bring to an end the uncertainty generated by its investigations of securities markets scandals. These have involved brokers paying compensation and dealings with a gangster organisation, as well as the charges concerning trading in Tokyu.

The allegations that Nomura manipulated Tokyu stock were among the most serious to arise out of the scandals. The company traded heavily in Tokyu stock after it had helped Mr Susumu Ishii, a former gangster chief, to accumulate a large holding. The shares rose rapidly bringing a big paper profit to Mr Ishii.

Meanwhile, Japanese police yesterday launched an international hunt for a former bank manager, wanted for his alleged involvement in an illegal loans scheme. The police are seeking Mr Susumu Morimoto, the former manager of a Tokyo branch of Tokai bank, a leading commercial bank. Mr Morimoto, who was recently seen in Thailand, is wanted for allegedly using forged deposit certificates to secure loans of at least Y63bn (£272m) from finance companies on behalf of hard-pressed clients with property investments.

South Africa's switch yesterday to Value Added Tax (VAT) from General Sales Tax (GST) was marked by nationwide protests and marches in all main city centres, Philip Gawith writes from Johannesburg.

Yesterday's protests went ahead despite weekend concessions from the government zero-rating various foodstuffs for six months until a full poverty-relief programme is in place. The government had earlier reduced the VAT rate from 12 to 10 per cent. GST was levied at 13 per cent.

The introduction of VAT has been fiercely opposed by a coalition of groups, spearheaded by the ANC and its trade union ally Cosatu, who say that VAT, in its present form, will have an unacceptably harsh impact upon the poor.

Debt forgiveness distorts development aid league

By Robert Mauthner, Diplomatic Editor

THE inclusion of debt forgiveness in industrialised countries' official aid figures has seriously distorted the statistics published in the annual report of the OECD's development aid committee today.

The committee (DAC) admitted in the introduction to its report that member countries disagreed, in particular, over the incorporation of debt forgiveness on military aid in its statistics. These figures were therefore subject to revision.

Aggregate official development aid from the DAC member countries increased by 4 per cent in real terms last year to $54.1bn (£31bn) from $46.7bn in 1989. But as a share of GNP, official aid increased only marginally from 0.34 per cent in 1989 to 0.35 per cent in 1989, the report said.

Norway, the Netherlands, Denmark and Sweden continue to lead the league table of countries with the highest ODA/GNP ratios, with Norway at the top with 1.17 per cent.

The US recovered its position as the largest DAC donor in volume terms, followed by Japan and France, but the US total of $11.4bn includes the forgiveness of military debt extended to Egypt. Moreover, calculated as a proportion of GNP, the US comes second from bottom with 0.21 per cent. Only Ireland did worse.

The UK's performance was particularly disappointing, with total net disbursements of official development aid declining by 11 per cent in real terms to $2.6bn.

The World Development Movement, one of the UK's leading pressure groups on third world issues, sharply criticised the government's aid policy at a time when "millions face starvation in Africa".

Stressing that last year UK aid slumped to its lowest level ever, a mere 0.27 per cent of GNP, the group called on the government to set a timetable for achieving the 0.7 per cent United Nations target to which it had "repeatedly committed itself".

Commonwealth calls for assistance to third world

By Peter Norman, Economics Correspondent

THE world's industrialised countries should double their official development assistance as part of a wide-ranging programme to promote sustainable development in the third world, according to a report by a Commonwealth expert group published today.

The report, prepared for this month's meetings of Commonwealth finance ministers in Kuala Lumpur, and heads of government in Harare, called on industrial nations to reach the United Nation's development aid target of 0.7 per cent of gross national product by the end of the century. It was drawn up by experts from all parts of the Commonwealth under the chairmanship of Mr Arthur Brown, governor of the Jamaican central bank.

The group put forward 28 proposals for tackling poverty and under-development, that were addressed variously to the developing nations, international institutions and the industrialised nations.

Its report said that developing countries should promote macro-economic stability and good governance, improve the climate for domestic and foreign investment, cut military spending, develop their human resources through education and training programmes, pursue effective population policies and recognise the importance of energy saving and environmental policies for development.

"Change for the Better" from Commonwealth Secretariat Publications, Marlborough House, London SW1Y 5HX. £8.00.

Papua New Guinea move to sack governor-general

By Kevin Brown in Sydney

THE CABINET of Papua New Guinea yesterday moved to sack Sir Serei Eri, the governor-general, after he had refused to remove a convicted political associate from parliament.

Mr Rabbie Namaliu, the prime minister, said the cabinet agreed to give "certain advice" to Queen Elizabeth, who is head of state of the resource-rich former Australian colony.

Under Papua New Guinea constitution, the governor-general represents the Queen when she is not in the country, but must act on the advice of the elected government.

Mr Namaliu claims Sir Serei breached the constitution by refusing to execute the judgment of a tribunal that Mr Ted Diro, the deputy prime minister, should be removed from parliament for three years.

The tribunal, a specially-appointed court, found Mr Diro guilty on 81 counts of corruption and misbehaviour relating to the Papua New Guinea forest industry. Mr Diro denies the charges but has refused to appear before the court.

Sir Serei is a long-standing personal friend of Mr Diro, and is a past president of his People's Action Party, which commands 20 seats in parliament and is part of the governing coalition.

In a letter to Mr Namaliu, Sir Serei said he refused to act as "a rubber stamp" for the government, and claimed he had acted in the interests of natural justice and the unity of Papua New Guinea.

Muted applause for Nigeria's bank debt deal

William Keeling on how a lack of financial discipline worries donors

NIGERIA'S creditor banks will, within the next two weeks, receive a package from the government to seal an agreement on the rescheduling of its $5.9bn (£3.4bn) debt to the banks. The package will include a price at which the government will buy back debt, and letters from the World Bank and International Monetary Fund stating their positions on the agreement.

The deal, agreed last Friday, and replacing an agreement in principle signed in March, will make Nigeria's total international debt, estimated at $34.9bn, more manageable and is likely to be welcomed by other donors.

Their applause may be muted, however, for the agreement – the outcome of more than 18 months of on-off negotiations – has been signed at time of increasing criticism of the government's handling of the economy.

On January 9 the government signed a 15-month agreement with the IMF but failed to satisfy its conditions. Many diplomats believe that the soldier politicians entering their final year in office – a democratic timetable will be concluded with presidential elections in October 1992 – have lost the will to keep financial discipline.

The critical issue has been money supply, with the government overshooting the IMF-agreed target set as part of the five-year old structural adjustment programme.

In January and February alone the government borrowed more than 12bn nairas (£650m) by issuing treasury bills. Bankers say that most government borrowing has been used to repay internal debts, leading to a substantial increase in domestic money supply.

In addition, the central bank has subscribed to about 40 per cent of the treasury bills, fuelling inflation which bankers estimate has risen from 10 per cent to more than 20 per cent since the start of the year.

Neither has the government made headway in bringing the official and parallel market exchange rates closer together with the gap between the two fluctuating between 25 and 40 per cent.

As a result, IMF economic approval under a mid-term review of the agreement, due in May, has not been forthcoming. IMF officials insist that negotiations are continuing.

Evidence that fiscal caution has been thrown to the wind could be seen in last month's decision to increase from 21 to 30 the number of states within the federation.

The new states will expect central funding for the development of essential infrastructure. And with the nine new military state governors scheduled to be replaced by civilians after gubernatorial elections in December, donors are concerned that a spate of ill-judged, expensive contracts are being prepared.

Diplomats say that the IMF is more sympathetic towards the government's handling of foreign exchange earnings, over 95 per cent of which come from the export of crude oil.

The national budget, announced on January 1 and which, bankers say, would have been drawn up in line with the IMF deal signed a week later, was calculated on an oil price of $21 per barrel. While the price has been a bit lower than expected, production has been higher and revenue is on target.

The cost of servicing the country's foreign debt, however, has been unexpectedly onerous.

The problem springs from a 15-month agreement to reschedule debt with the Paris Club of creditor countries, also signed in January, which was based upon a higher projected oil price of $23 per barrel.

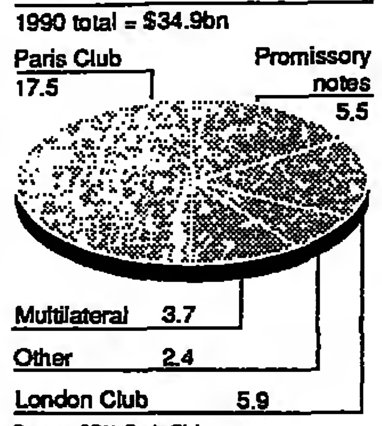
As one banker commented, "Forecasting the price of oil is always speculative but reaching two agreements in the same month based upon different prices was inviting chaos."

Diplomats say that debt service payments have been at least $300m higher than forecast in the budget and the accord with the London Club will also require a payment of $310m in interest arrears to be made next February.

Despite the financial demands of creditors, donor sympathy has been tempered by failure of the government to modify its own expenditure programme.

Nigerian debt

1990 total = $34.9bn



Source: CBN, Paris Club.

The government remains committed to the Ajaokuta steel project which, originally estimated at $1.4bn in 1979, has so far cost over $4bn and which, donor officials estimate, requires a further $2bn before production can begin.

Construction has also begun on a DM2.4bn (£820m) aluminium smelter which donor agencies say is costing 60-100 per cent more than similar projects elsewhere in the world.

Creditors have called for both projects to be scrapped and have also expressed their concern at the current level of military expenditure which includes a contract for 150 tanks from Vickers of the UK.

The issue of expenditure, domestic and foreign, has been made more contentious by the government's lack of accountability for much of national revenue.

Donor officials say that $3bn of oil-revenue earned during the Gulf crisis is unaccounted for in central bank figures. They are also frustrated by the financial practices of the state-owned Nigerian National Petroleum Corporation, the country's key earner, which one donor described as "an accounting black hole". In a private aside, one government minister recently described the World Bank as "an enemy of Nigeria".

The administration's final year in office will be critical for the country. If relations with its creditors deteriorate further, Nigeria will again fail to attract the soft terms being offered to other developing countries.

More seriously, a civilian government may feel unable to adopt the harsh austerity measures required to rebuild the structural adjustment programme. An economy damaged by a final year of alleged military profligacy may prove poisoned ground for democracy to take root.

Foreign policy seen as Rao government weakness

David Housego reports on an uncomfortable awareness of the need for US support

PRIME Minister PV Narasimha Rao's Congress administration celebrated its first 100 days in office at the weekend amid more accolades for its performance than it could have imagined when it took power. But one area where it remains adrift is over the handling of foreign policy.

Reflecting its difficulty in defining where India stands in the new global environment and how it sees its role internationally – the issues closest to the heart of former Prime Minister Rajiv Gandhi and the Nehru family – the government allowed only a brief debate on foreign affairs on the last day of the recent parliamentary session.

The main point to emerge from the government's first foreign policy statement was the "crucial importance" India now attaches to US support – an admission of American power that the Nehru family with their dislike of US influence in the world would have been loath to make.

At least three events have undermined the traditional assumptions of Indian foreign policy. The first has been the collapse of the Soviet Union which was India's closest ally, its main arms supplier and a leading trading partner. Purchases from the Soviet Union accounted for more than 50 per cent of Indian arms imports – supplies that are now vulnerable to disruption and also to sharp increases in costs as the Soviets end subsidised interest rates and prices.

India also looked to the Soviet Union to offset US support to Pakistan and to use its veto at the United Nations to block resolutions hostile to India over Kashmir. The Soviet system also provided reassurance to India in its own choice of centralised planning and socialism as a system of development.

Many Indians still refuse to believe that the Soviet Union's problems are more than transitory. Mr Narasimha Rao told parliament last week that the developments in the Soviet Union were a "temporary phase". "I am not as pessimistic as some people are," he said, adding "a big country like it just cannot go to pieces".

The second big event has been India's own massive fiscal and balance of payments deficits which brought it close to default on its foreign debt earlier this year. One consequence of this is increased dependence on western bilateral aid and on borrowings from the multilateral institutions in support of market-oriented reforms. India is likely to be one of the biggest clients of the International Monetary Fund in coming years.

Another consequence is that India can no longer afford to finance the defence purchases initiated under Mr Gandhi to enhance India's status as a regional military power. The emphasis is on cuts in military spending and mending fences with neighbours such as Nepal and Bangladesh.

The third event has been the marginalisation of the non-aligned movement – the forum in which India projected its claims to third world leadership. The internal problems of Yugoslavia and Egypt – two other key partners in the movement – mean that it will be difficult to revive.

The foreign affairs debate revealed a government pulled in conflicting directions by a new assessment of self-interest on the one hand and by older ties of friendship and ideology on the other. It also showed a government edging towards the US, even if uncomfortably.

Mr Eduardo Faleiro, the minister of state for external affairs, said that the US had been of "crucial importance" to India in obtaining IMF loans, and over Kashmir. The US in a recent reversal of policy has supported India's view that the Kashmir issue should be settled bilaterally between India and Pakistan – rather than through the UN as Pakistan wants.

There are other signs of closer ties with the US. Increased multilateral aid has been accompanied by a halt to US aid to Pakistan because of its nuclear ambitions. The US has been pressing Pakistan to end supplies to Kashmiri separatist movements in India.

The Narasimha Rao administration hopes to obtain more sophisticated weapons from the US if its purse permits and is making a point of wooing US foreign investment.

But closer ties with the US remain politically unpopular in India and within the Congress party – as was demonstrated during the Gulf war. Distrust of the US is an issue which the militant Hindu Bharatiya Janata Party (BJP) – the main opposition party – seems determined to exploit to electoral advantage.

In a foretaste of their campaign, Mr AB Vajpayee, the BJP's foreign affairs spokesman and a former foreign minister himself, told parliament: "My concern is that they [the US] want to run the entire world according to their doctrines." Alleging that a "super-alliance" was emerging between the US, the IMF and multinational corporations, he called for a strengthened UN to offset American power.

In particular, he said countries such as India and Brazil should be given a place on the Security Council. The difficulty for a Congress government in answering such an attack is that Jawaharlal Nehru, Mrs Indira Gandhi and Rajiv Gandhi – the former leaders of the party – would all have adopted much the same tones.

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INTERNATIONAL NEWS

Indonesia seeks developers for inhospitable Irian Jaya

Separatist sentiment and lack of infrastructure are among the factors deterring investors from going east, reports Clare Bolderson

IN THE town of Wamena, high in the rugged mountains of central Irian Jaya, Indonesia's easternmost province, naked tribespeople gather at the market to sell handfuls of vegetables or bunches of firewood. Some of them have walked for four days to get there.

If they are lucky they make the long journey home to their villages with a profit of around 300 Rupiah (17 cents). Others, particularly the young Irianese men, hang around the market for days on end because they have nothing else to do, or drift down to the coastal towns to join the growing numbers of urban unemployed.

It is not difficult to see why the Indonesian government is conducting a "Go East" campaign. It wants to persuade both domestic and foreign investors to turn their attention away from the industrial heartland and population centre of Java and its adjacent islands towards the resource-rich but almost totally undeveloped areas in the east of the country.

But it is also not difficult to see why in the case of Irian Jaya, the huge province bordering Papua New Guinea, prospective investors faced with a total lack of infrastructure, some of the most inhospitable terrain on earth and the smouldering remnants of Irianese separatism are reluctant to take up the challenge.

The task of bringing development to Irian Jaya is formidable despite its riches of oil, minerals and fish and its hundreds of miles of largely untouched timber.

The province officially became part of Indonesia only in 1969 after a controversial "Act of Free Choice" which many people accused Jakarta of rigging with the aid of widespread human rights abuses.

Irian makes up more than a fifth of Indonesia's total land mass but its 1.6m inhabitants constitute less than 1 per cent of the nation's population. Most of them live in isolated villages surrounded by dense jungle and the highest mountains between the Himalayas and the Andes.

First contact with most of the people of the interior has only been made in the last 30 years and anthropologists believe there may be tribes deep in the impenetrable forests and swamplands which have yet to be discovered.

According to Mr Barnabus Suebu, the provincial governor of Irian Jaya, the first and biggest of Irian's many problems is "how to break through the isolation".

Progress on an ambitious trans-Irian highway is painfully slow, and many people in Irian Jaya believe that, given the appalling terrain and unpredictable weather, it will never be completed. There are almost no other roads in the province. Seventy per cent of all Irian's transportation needs are served by air, many of them by the western missionaries whose tiny aircraft bring rice, teachers, doctors and God to some of the most isolated and backward places on earth.

The government believes that the best way of overcoming the infrastructure problems of Irian Jaya is by luring foreign and domestic investors there in the hope that they will provide the basics for development.

Mr Suebu cites the giant Freeport copper mine on Irian's southern coast as an example of how big companies can bring physical development and employment opportunities with them.

Freeport has spent around $1bn on its operations in Irian Jaya over the past 20 years and is now beginning to look at ways of investing in and supporting the local community. But Freeport is just one company and there is little sign that anyone else is following the example.

Less than 5 per cent of approved new domestic investments in Indonesia last year was destined for the eastern provinces, including Irian. For foreign investment, the equivalent figure was a paltry 1.6 per cent, and local pressure groups say that some of the businesses which do go to Irian, particularly in the timber sector, actually do more harm than good by indiscriminately plundering resources and exploiting the local people.

Mr Suebu says the central government in Jakarta could do more by way of tax incentives to encourage investors. "We hope the government will give us special treatment," he says.

However, foreign and local aid workers, and some of the missionaries who Mr Suebu's admits have been a driving force behind bringing basic health and education to the people of Irian, say this "top-down" approach is wrong. "The problem with development in Irian is it's all big-time development. The key is to go small and to go slow," says one missionary working in the highlands.

He was voicing the worry that the needs of the ordinary Irianese are being ignored and that development efforts are passing them by.

Education is slowly improving but cuts in government jobs mean that even the educated have difficulty finding work.

At the same time, there is a growing influx to the province of people from outside Irian. The government's controversial transmigration scheme, which moved some 120,000 people to Irian Jaya in the 1980s, has ground almost to a halt but the number of spontaneous migrants is increasing rapidly. These newcomers are more skilled than the Irianese, and it is they who drive the taxis and buses, work in the construction industry, run restaurants and shops and dominate the markets.

The result is rising unemployment and frustration among the native population and growing tension between the indigenous and non-indigenous communities.

The tension is fueled by increasing alcoholism in the urban Irianese population, a factor which has drawn comparisons with the plight of Aboriginal communities in Australia.

Irian Jaya has had a history of separatist activity ever since the Indonesians first took over, and there is concern among people working with the Irianese that the growing frustration will provoke more anti-Indonesian sentiment.

The Free Papua Movement, or OPM, is a disparate and shady group but it still fights sporadic battles and has been known to attack ordinary local people as well as Indonesian soldiers.

There are also many Irianese who work for independence through non-violent means and, according to Amnesty International, there are some 80 Irianese serving prison sentences for their political beliefs.

A big separatist uprising is unlikely, however. Tribal divisions and a tradition of violent inter-tribal warfare make it hard for Irianese to unite in a common cause. Instead, observers in Irian say continuing economic backwardness, alcoholism and anger about the influx of outsiders may provoke the type of gang war and violent crime that is now rife in neighbouring Papua New Guinea.

Mr Suebu says the needs of the Irianese must come first. "Our policy is to protect the local people," the governor says. But until Jakarta can find a way to persuade the right kind of investors to heed the call and "go east", Mr Suebu's vision of development based on what he calls "a link between the big companies and the village economies" will remain a distant dream.

Punjab tries to restore financial credibility

By Farhan Bokhari in Islamabad, Pakistan


Sharif: company repaid loans


Bhutto: seizing opportunity

THE government of Punjab, Pakistan's wealthiest and most populous province, is trying to restore the credibility of its financial system under a cloud of scandal which could affect Pakistan's economic stability. Under new laws announced last month the provincial government has asked big borrowers of finance co-operative companies to repay their loans within 18 months.

The co-operatives have been at the centre of a scandal involving large loans given to business groups, including those owned by the family of Mr Nawaz Sharif, the prime minister, and Mr Shujaat Hussain, the interior minister. The government denies accusations of improper lendings, although opposition parties led by former prime minister Ms Benazir Bhutto are seizing the opportunity to turn the controversy into a political embarrassment for the prime minister.

The province of Punjab is worst hit. Total deposits in Punjab amount to 15bn Rupees ($652m), almost three-quarters of the total deposits in co-operatives across the country. The issue, damaging both for the credibility of the financial system and for a government which has been in office for a little less than a year, could also become sensitive for the prime minister, as his main base for political support lies in the province.

Up to 2.5m depositors had put their money in the co-operatives and many are now trying to withdraw it, after reports that the companies are not able to recover all of their loans. Although the finance co-operatives are not covered by the banking regulations, they attract a lot of business because they are able to offer widely varying interest rates which are often much higher than those offered by the banks.

Of the 101 co-operatives registered in the Punjab, controversy surrounds mainly the largest companies including the National Industrial Co-operative Finance Corporation, which alone had deposits of about Rs8bn.

Conflicting reports have been appearing in local newspapers about the extent to which these companies can repay depositors after selling assets which are mostly in real estate. But it is difficult to assess the extent to which deposits can be recovered because some borrowers apparently declared a higher value for their real estate collateral than current market prices would justify.

Mr Sartaj Aziz, the finance minister, estimates that 20 per cent of the Punjabi deposits, or about Rs3bn, could be at risk.

Mr Aziz says Pakistan's banking laws did not apply to these companies because they were not registered as banks. As a consequence, they were under no obligation to maintain some portion of deposits in liquid form, as a cushion against big withdrawals. "We are trying to bring in new regulations," he says.

Mr Aziz also expects the creation of private banks to produce a more credible system for depositors. Last month, Pakistan sanctioned its first 10 banks in the private sector.

The government has also announced measures to repay small depositors with assets up to Rs25,000 in a move to ease public pressure.

A senior official says privately that the scandal has caused a credibility problem for the country's financial system. "Even new private banks may find it difficult to attract depositors if people do not trust [the system]", he says, arguing that the government must embark upon a campaign to re-establish confidence.

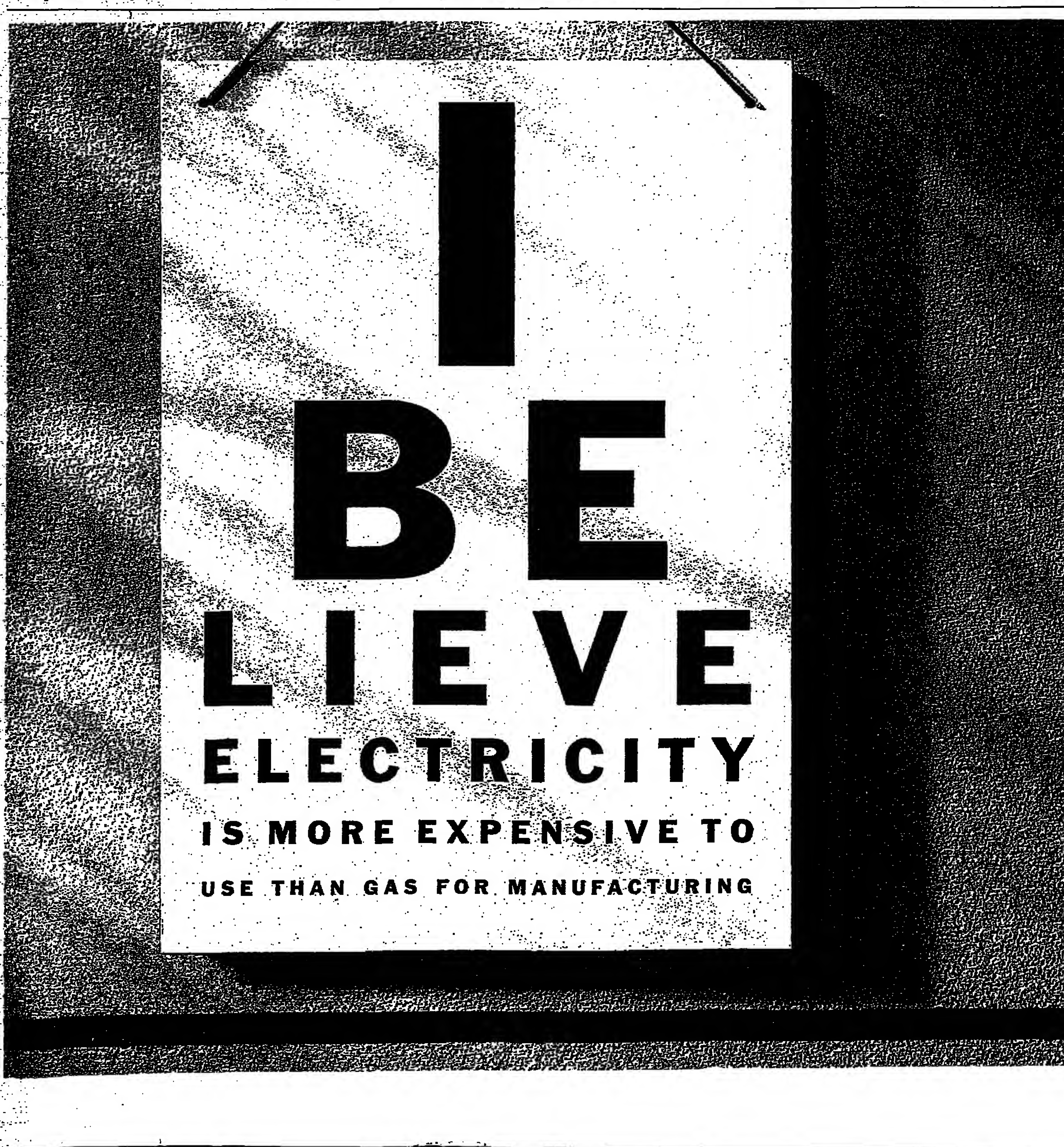
The scandal has also provided fresh grounds on which the opposition can criticise the government. Recently, Ms Bhutto compared the co-operative companies and their affairs with the situation surrounding the BCCI branches in Pakistan. "The amounts that have been borrowed without collateral are far larger, the amounts that have been given into a few families without collateral are far larger than the amounts that the BCCI dished out in Pakistan," she said. She has demanded a parliamentary inquiry.

But Mr Aziz defended the loans given to companies belonging to the prime minister and the interior minister. Mr Sharif's company, the Ittefaq group, has already repaid all its loans, while Mr Hussain is making arrangements to do the same, he said.

Mr Aziz argues that the two companies were forced to borrow from the co-operatives because Ms Bhutto's government tried to block loans to them for the establishment of sugar mills. In response to the opposition's claims, he also says that Mr Ehsanul Haq Piracha, who served as Ms Bhutto's finance minister, did not take steps to tighten regulations, at a time when this could have been done to avoid the present problems. One of the larger co-operatives is also owned by Mr Piracha.

It is clear that the issue could affect confidence in the country's financial system, and investors may become wary if the controversy continues, and if investors lose confidence, the country's plans to privatise state-owned factories may receive a setback.

Opposition members close to Ms Bhutto say that, despite the government's efforts to involve her former finance minister, she intends to continue her campaign. One Bhutto aide says: "The government has come on the defensive and we certainly intend to keep up the pressure."



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WORLD TRADE NEWS

Setback for Nordic move to end Gatt shipping row

By **William Dullforce** in Geneva

THE NORDIC countries' attempt to defuse a dispute over shipping in the Uruguay Round trade talks appears to have misfired.

The proposal by Finland, Norway and Sweden "does not address the major forms of discrimination in international shipping – the closed conferences, the UN liner code and the restrictions on port and auxiliary services", Mr Rufus Yerxa, deputy US trade representative, said yesterday.

At the heart of the dispute is the question of whether or not the General Agreement on Tariffs and Trade's most-favoured-nation (MFN) rule should be applied to maritime transport in the agreement liberalising world trade in services which is expected to emerge from the Round. Under the MFN rule a country must extend trade benefits it grants to another country to all Gatt members.

Washington, urged on by politically powerful US shipping interests, is demanding that maritime transport be exempted from the MFN rule. It argues that application of MFN to shipping would prolong the existing restrictions practised by other countries while it would deprive the US of its ability to take unilateral action under its laws to force governments to liberalise. Others, including the EC, insist that in a General Agreement on Trade in Services MFN must apply to all services, including maritime transport.

The Nordic countries suggested that governments should impose no new trade-distorting measures affecting international shipping and agree to remove existing restrictions within three years. But this commitment would not apply to shipping conferences, the cartel-like arrangements under which companies set freight rates and organise regular liner services on international routes. These, the Norwegians say, are private deals between companies, not between governments.

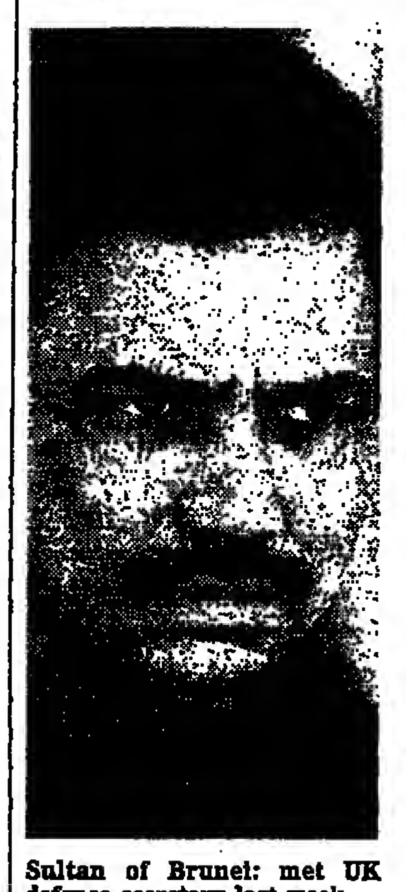
However, under US anti-trust law American shippers have to open their conferences to new members, while Nordic and European shippers are allowed to operate closed conferences. The Nordic proposal placed no compulsion on governments to eliminate this discrimination, Mr Yerxa said.

Nor did it meet US concerns about the United Nations liner code and the restrictive practices from which foreign shipping companies suffered in securing port and auxiliary services in some developing countries. The proposal prescribed that governments negotiate individually on these practices but they could do that now anyway.

Mr Yerxa said the Nordic proposal effectively swept US concerns under the carpet "confirming the suspicions of our shippers that other countries are not interested in broad liberalisation but in locking the US into an MFN-based system where it could not push unilaterally for liberalisation".

Brunei confirms jets deal

By **David White**, Defence Correspondent



Sultan of Brunei: met UK defence secretary last week

BRUNEI has confirmed its intention to buy Hawk fighter aircraft worth at least £150m from the UK despite a two-year delay since a deal was first announced.

Mr Tom King, the UK defence secretary, had the supply agreement confirmed by the Sultan of Brunei during an Asian tour last week. But further delay is expected before a contract is signed because of the need to set up infrastructure and maintenance support.

The future of a further deal with Brunei for three missile-carrying offshore patrol boats remains in the balance.

Under a protocol signed by Mrs Margaret Thatcher and the Sultan in 1989, Vosper Thornycroft was to build three corvettes, worth about £200m including support.

However, in July last year Brunei said it would re-submit the vessels to international competition. About five other shipyards are seeking the order, but a fresh tender has yet to be opened.

The aircraft deal involves 16 British Aerospace Hawk 100s. These are two-seat jet trainers developed for the export market to serve also in combat roles. They would form Brunei's first squadron of fixed-wing aircraft.

Mr King said he was also "very satisfied" about the state of negotiations with Malaysia for two corvettes from Yarrow Shipbuilders, estimated to be worth about £180m. This contradicted recent reports suggesting that the deal was in jeopardy. It is understood that differences have still to be resolved over the choice of an electronic command and control system.

If concluded, the sale would bring to more than £1bn the value of British arms supplies to Malaysia under a 1988 agreement.

■ The Philippines signed a contract with a Spanish shipbuilder yesterday to buy three missile-armed patrol boats, AP-DJ reports from Manila.

Under the $100m (£57.4m) contract, Spain's E.N. Bazan will deliver the first Cormoran fast patrol craft by January 1994. The two others will be built in the Philippines and construction is expected to be completed in about three years.

Pressure grows in US over Chinese

By **Nancy Dunne** in Washington

THE Bush administration was under heavy pressure from Congress and a deadline which expired yesterday to move against China for alleged trade violations, including the export of goods produced by prison labourers and market barriers to foreign goods.

At a conference last week, Mrs Carla Hills, the US trade representative, acknowledged she had little hope that China would respond to the deadline set last August by the administration for specific commitments on the dispute over market access.

Whether or not the US and China can avoid a collision depends on "whether you believe in miracles", she said.

Senator Max Baucus, a key supporter in President George Bush's battle to renew China's Most Favoured Nation status, is now urging the administration to initiate a retaliatory Section 301 trade action against China in the next few days unless there is "very substantial progress toward opening its market". Bills have been introduced in Congress which would give human rights groups and US importers the right to sue companies which import goods produced by slave labour.

In a letter to President Bush, Senator Baucus urged immediate administration action on Chinese prison labour as well as support of Taiwan's effort to join the General Agreement on Tariffs and Trade. Otherwise, he implied he would have no alternative but to throw his support behind legislation placing conditions on the renewal of China's MFN status.

Mrs Hills is due to leave tomorrow for her first trip to Asia in two years, but with no plans to go to Beijing. Instead she is going to India to express "excitement" over new openings to foreign investment.

Mrs Hills also will attend the first formal meeting of Asean trade ministers, discuss the Uruguay Round in Hong Kong and sign a framework trade pact with Singapore.

Vietnam joins the auto makers

By **Stefan Wagstyl** in Tokyo

VIETNAM is set to become the 36th country in the world to start motor vehicle production following the establishment of a $10m (£5.7m) joint venture in Hanoi with a Japanese trading company.

Seiron Machinery Japan plans to start production next year, assembling trucks and vans from parts shipped from Japanese automakers' factories in Asia.

The investment highlights Hanoi's growing commitment to economic reform and to opening its borders to foreign capital.

Japanese companies are at the forefront of groups hoping to invest early in a country which they believe could grow rapidly given the reputation for diligence of its large population.

The Vietnamese embassy in Tokyo said 18 joint ventures had been established with Japanese companies in the past year and more were expected soon.

EC relents on Turkish fibre duties

By **David Buchan** in Brussels

BRUSSELS said yesterday it was dropping countervailing duties on imports of Turkish polyester fibres and yarns, following Ankara's agreement to phase out its subsidy on these textile exports.

The Commission's double announcement yesterday of the end to its anti-subsidy investigation and of the grant of Ecu5.4m (£3.8m) to Turkey to help training in its tourism and coal sectors were timed to coincide with the first meeting since 1986 of the EC-Turkish Association Council. A row over Cyprus prevented the council meeting in 1988.

After some 15 European synthetic fibre producers lodged a complaint that half a dozen of their Turkish competitors were reaping unfair advantage through getting a corporate tax break on their exports, the Commission imposed from June 1 this year provisional countervailing duties on the imports from Turkey.

BAe heads UK export league for third successive year

By **Anthony McDermott** and **Jan Schling**

BRITISH Aerospace, the UK's leading defence contractor and one of the biggest manufacturing groups, retained in 1990 for the third year running its position as the UK's top exporting company, with a 36.85 per cent rise in its total exports to £4.89bn, according to the latest rankings (below) compiled by the Financial Times.

The order of the top 10 UK exporters remains largely unchanged with the exception of Ford UK, which rose from seventh to fourth position and whose exports rose by 63.1 per cent to £2.73bn (although if Jaguar's exports were added to Ford's 1989 exports the increase would have been 15.5 per cent). Fisons, which has taken over VC Instruments, in 58th place (up from 90th in 1989) had the largest increase in exports, by 77.9 per cent, to £184.3m.

The exports of the Top 100 rose by 11.5 per cent from £40.86bn in 1989 to £45.56bn last year – a similar rate to exports as a whole, which increased from £93.25bn to £103.91bn. Their share also rose from 43.8 to 45.6 per cent. This reflects a second year of increase after the decline from the 48.1 per cent share in total UK exports recorded in 1988.

This does does not undermine the view – and the aspect of government policy which encourages smaller businesses to export – that a number of businesses of that size not included in the listing make a sizeable contribution to the UK's export earnings.

There remain, however, provisos. Companies may have understated the accurate levels of their exports as purchasers cannot be certain whether goods and materials are domestically produced or not.

In addition, there is a marked increase recorded in the number of companies whose exports account not only for their entire overseas turnover but also exceed turnover from their subsidiaries abroad.

There were 41 such companies in 1990. Nine companies – at the forefront Westland Group (65) with 634.8 per cent and Rolls-Royce (6) with 550.9 per cent – had exports forming more than their total overseas turnover. (Unlike last year this year's figures avoid the double counting of exports in the UK and Overseas turnover).

As was recorded for the first time in last year's listings, a number of companies are considerable net importers, notably Gulf Oil (69) with £539.1m, Cadbury Schweppes (90) with £234.6m and Mobil Oil (73) with £204m.

The largest net exporter, according to the figures available for 1990 was Rolls-Royce with £1.94bn of exports but importing £408m. BP (3) with exports worth £1.87bn recorded a gross import total of £865m. But British Steel (8) with exports of £1.47bn, had, at the same time, the highest gross imports of £950m. Other companies with net exports exceeding £250m included Guinness (11) £762m, Rank Xerox (15) £525m, and Lucas (14 up from 25th) £481m.

These figures show that some UK companies or UK subsidiaries of foreign companies are relying on large imports of raw materials and semi-finished products.

It is regrettable that British Aerospace does not provide its import figures, so that the relative success of our foremost exporter cannot be measured against its imports and the performance of other leading UK exporters.

Some of the spectacular increases, such as Ford's, can be explained by takeovers or mergers.

Companies such as Trafalgar House (12) (which did not supply figures previously and which now includes John Brown's statistics), Rhône Poulenc (44) and Leyland DAF, UK subsidiary of the Dutch DAF, recorded spectacular first rankings but did not supply figures in the previous years.

Short Brothers (48), Weir Group (99), Lucas, and Gallaher (95) all recorded increases in exports larger than 60 per cent.

On the other hand, BAT Industries (50) recorded the largest fall in exports, of 54.7 per cent, from £464m to £210m. Rio Tinto Zinc's export earnings fell by 38.5 per cent from £135m to £83m.

These figures can be misleading for their dependence – as likely contributors to UK's invisible earnings – on exports for their overseas turnover is low – 2.07 per cent for RTZ and BAT 2.69 per cent.

The effect of depreciation of the pound and recession has been to spur some of the companies into export markets. At the same time, the performance of the top 100 exporters is closely aligned to the export performance as a whole. Increase of exports by 11.49 per cent by the Top 100 are mirrored in the increase by 11.43 per cent by the UK exports. (The different ends of financial years can, however, blur precise comparison).

Within the Top 100, the first 10 increased their exports by a hefty 19.5 per cent, while the second ten improved by only 6.4 per cent.

The only other large increase was in the 61-70 bracket – 11.44 per cent, while the 31-40 group suffered a fall of 1.8 per cent.

Again rises and falls do not display a clear sectoral pattern, as there are, for example, engineering and oil companies represented among those experiencing large rises and falls. Yet again, the Japanese companies, such as Sony or Nissan, joined this year by the Northern Telecom (which has taken over STC, 24th in 1989 with exports of £384m) declined to supply any figures, perhaps with an eye to not upsetting the UK's European partners.

Companies leaving the table this year include Jaguar, taken over by Ford UK, John Brown, subsumed into Trafalgar House, Boots, Pittard Garnar, Ferranti International (75th in 1989 with exports of £129m, down to £28m in 1990), FKI, STC and Amoco (UK) (taken over by Elf Aquitaine which again did not supply figures).

Among the newcomers are Trafalgar House, Rhône Poulenc, Leyland DAF, Glynwed Group (88), BBA Group (94), Gallaher (95), Vosper Thornycroft (97) and Weir Group (99).

And a tailpiece. The exports of Rio Tinto Zinc, the 100th exporter, were, at £83m, just 1.7 per cent of those of British Aerospace. In 1989 Amoco (UK)'s £72.8m was 2.04 per cent.

BRITAIN'S TOP 100 EXPORTERS - 1990

Ranking 1990	Ranking 1989	Company	Exports 1990 (£m)	% of UK t/o	Exports 1989 (£m)	% of UK t/o	% change 89/90	Exports as % of 1990 o/s t/o	Net exports* 1990 (£m)	Imports as % of exports
1	1	British Aerospace	4,891.0	57.1	3,574.0	50.6	36.85	246.80		
2	2	ICI	3,160.0	51.6	3,359.0	53.9	-5.92	31.89		
3	3	BP	2,731.0	22.4	2,145.0	18.3	27.32	11.34	1,866.0	31.67
4	7	Ford UK	2,729.0	61.3	1,673.0	34.5	63.12	89.33		
5	4	IBM UK Holdings	2,348.0	54.3	2,082.0	49.7	12.78	100.00		
6	5	Rolls-Royce	2,347.0	70.7	2,062.0	75.9	14.38	550.94	1,939.0	17.38
7	6	Shell UK	1,978.0	31.2	1,714.0	31.8	15.46	100.00		
8	8	British Steel	1,474.0	48.9	1,489.0	45.7	-1.01	267.03	est.524.0	35.55
9	9	GEC	1,309.0	35.1	1,131.0	34.2	15.47	23.47		
10	10	Johnson Matthey	844.4	57.5	741.0	69.2	13.95	63.59		
11	11	Guinness	817.0	41.2	718.0	41.2	13.79	34.81	762.0	6.73
12	–	Trafalgar House	728.7	36.3	760.3	42.9	-4.42	50.06		
13	14	Glaxo	653.0	69.0	618.0	67.0	5.66	35.03		
14	25	Lucas	633.0	62.6	369.0	49.3	71.54	47.87	481.0	24.01
15	15	Rank Xerox	581.0	58.7	599.0	59.7	-3.01	34.45	525.0	9.64
16	13	Esso UK	571.4	19.7	678.7	24.6	-15.56	100.00		
17	19	Unilever	568.0	14.3	460.0	12.6	23.48	3.11	est.147.0	125.88
18	28	Conoco	548.8	40.9	408.9	38.4	34.21	100.00	-16.9	103.08
19	17	Kodak	497.8	53.3	473.8	52.8	5.07	100.00	252.9	49.20
20	22	Varity Holdings	491.2	82.4	429.7	59.2	14.31	139.70	353.5	28.01
21	20	Courtaulds	481.0	33.7	447.0	50.7	7.61	43.22		
22	26	Peugeot Talbot	456.7	28.6	343.9	23.2	16.49	100.00		
23	16	Inco Europe	443.6	63.4	579.1	62.4	-23.40	100.00		
24	28	Tenneco Europe	379.4	49.7	321.2	45.8	18.12	100.00	95.8	74.75
25	29	Allied Lyons	352.0	10.8	273.0	9.2	28.94	18.78		
26	32	Hawker Siddeley	337.0	34.8	285.0	31.6	18.25	27.87		
27	31	Wellcome	336.3	69.5	291.4	68.1	15.41	26.93	288.3	14.27
28	41	SmithKline Beecham	316.0	30.5	255.5	35.1	23.78	7.97		
29	27	Exxon Chemical	304.2	52.1	342.1	55.3	-11.08	100.00	125.2	58.84
30	40	Rothmans International	303.0	58.2	262.0	57.6	15.65	17.10	276.0	8.91
31	21	Texaco	299.0	11.6	437.0	18.0	-31.58	60.40	-177.0	159.20
32	33	Ciba-Geigy	286.0	42.6	267.0	42.9	7.12	100.00		
33	34	Racal Electronics	280.8	21.2	278.1	23.4	0.97	36.88		
34	42	English China Clays	279.2	35.8	233.9	35.2	19.37	59.73	268.9	3.69
35	37	J.C.Bamford	277.3	73.9	271.3	65.5	2.21	100.00	241.1	13.05
36	–	Philips Electronics	264.7	24.1	254.8	23.0	3.89	100.00		
37	44	Grand Metropolitan	259.2	7.0	228.3	4.9	13.53	4.54		
38	30	BTR	259.0	11.1	294.2	12.8	-11.96	5.88		
39	38	T & N	257.0	42.0	271.0	44.3	-5.17	26.60		
40	50	Caterpillar UK	250.3	81.8	199.9	79.4	25.21	100.00	147.8	40.95
41	35	Untd.Eng.Steels	241.2	48.9	273.4	50.6	-11.78	100.00	210.0	12.94
42	46	Vickers	240.4	52.8	223.4	44.4	7.61	56.52		
43	33	Brit.Alcan Aluminium	239.0	31.2	283.0	34.6	-15.55	225.48	132.0	44.77
44	–	Rhone Poulenc	237.3	56.2	171.7	54.9	38.21	100.00		
45	43	Cummins UK	229.8	58.4	233.8	59.0	-1.71	94.96	130.8	43.08
46	–	Leyland DAF	225.0	48.6	127.1	19.6	77.66	100.00	92.5	58.89
47	47	Seagram Distillers	224.5	47.3	213.1	47.1	5.35	57.62	150.2	33.10
48	78	Short Brothers	215.2	60.8	124.6	50.7	72.71	100.00		
49	45	BICC	215.0	9.5	228.0	11.8	-5.70	12.43		
50	18	BAT Industries	210.0	46.5	464.0	26.3	-54.74	2.69		
51	60	Associated Octel	205.0	84.2	172.3	80.4	18.98	90.83	191.3	6.68
52	55	Thorn EMI	201.0	11.4	186.1	10.4	8.01	10.64		
53	53	Michelin Tyre	200.9	27.6	193.5	27.6	3.80	294.70	42.5	78.85
54	51	IMI	200.0	43.7	198.0	39.1	1.01	35.03		
55	59	Hanson Trust	192.0	4.6	173.0	4.6	10.98	6.39	16.0	91.67
56	73	Du Pont	190.3	52.3	131.5	25.8	44.71	88.64	-69.7	135.63
57	64	Nestle Holdings (UK)	184.7	11.9	153.5	11.1	20.33	100.00		
58	90	Fisons	184.3	52.4	103.6	40.0	77.90	21.59		
59	54	British Nuclear Fuels	179.0	17.2	188.0	19.0	-4.79	100.00		
60	52	Simon Engineering	177.8	32.6	196.1	29.4	-9.33	43.57		
61	62	Pearson	172.6	31.3	163.0	31.8	5.89	17.54		
62	65	Smiths Industries	172.0	48.6	147.4	44.8	16.69	48.96	141.3	17.85
63	56	Hewlett Packard	170.9	26.3	181.5	30.3	-5.84	100.00		
64	58	Monsanto	170.8	58.0	173.5	53.7	-1.56	100.00		
65	48	Westland Group	169.0	43.2	208.5	50.4	-18.94	634.78		
66	61	Davy	168.9	29.8	167.8	26.9	0.66	20.19		
67	69	Dowty	164.2	54.2	138.4	31.2	18.64	35.23		
68	71	Marks & Spencer	153.0	3.3	128.0	2.9	19.85	24.08		
69	49	Gulf Oil	155.2	21.5	206.5	33.8	-24.77	100.00	-539.1	347.36
70	63	BASF UK	152.0	13.7	155.0	16.3	-1.94	100.00		
71	81	ASW Holdings	149.1	48.9	116.0	34.5	28.53	100.00	120.5	19.18
72	66	De La Rue	147.9	74.0	147.2	71.9	0.48	87.15	118.1	20.15
73	88	Mobil Oil	145.0	9.3	105.0	8.6	38.10	94.77	-204.0	240.69
74	70	Goodyear Tyre & Rubber	144.8	38.0	137.0	36.4	5.69	100.00	76.9	46.89
75	87	Coalson Group	144.2	28.5	108.8	22.1	32.54	10.09		
76	77	Allied Colloids	140.1	77.4	127.0	77.0	11.10	169.42		
77	74	Reed International	140.0	15.2	131.0	14.1	6.87	21.24		
78	85	Ingersoll-Rand	132.8	61.1	110.8	56.6	19.86	100.00	90.2	32.08
79	91	Siebe	130.4	26.2	98.1	61.0	32.93	9.81	98.4	24.54
80	83	Schering Holdings	128.1	51.1	114.6	48.4	11.78	100.00	54.2	57.69
81	76	Sears	127.7	29.9	128.3	20.7	-0.47	34.91		
82	82	Pilkington Brothers	124.7	20.8	115.3	17.6	8.15	8.08		
83	67	Coats Viyella	117.8	12.8	140.3	13.8	-16.04	12.70		
84	83	Amersham International	114.7	76.6	114.6	83.	0.09	52.91	101.9	11.16
85	79	Polaroid	112.5	76.5	119.4	78.1	-5.78	100.00		
86	89	Lilly Industries	108.5	90.5	104.1	61.1	4.23	100.00	39.5	63.59
87	86	APV	101.0	62.3	110.0	73.3	-8.18	13.54		
88	68	Pirelli UK	99.0	28.3	138.7	36.6	-28.62	93.48	-18.4	118.59
88	–	Glynwed Group	99.0	13.4	95.0	12.2	4.21	27.53	50.1	25.34
90	80	Cadbury Schweppes	95.7	6.5	117.8	9.2	-18.76	5.73	-234.6	345.14
91	95	GKN	95.0	13.0	95.0	12.3	0.00	7.24		
92	96	Roche Products	93.7	49.2	86.5	49.8	8.32	100.00	35.5	62.11
93	92	Cyanamid UK	93.5	50.6	97.9	55.1	-4.49	100.00	30.0	67.91
94	–	BBA Group	93.3	34.5	107.7	37.5	-13.41	9.73		
95	–	Gallaher	89.8	2.1	55.1	1.5	62.98	21.89	-47.8	153.23
96	93	Dawson International	88.6	44.7	97.8	43.1	-9.41	30.66		
97	–	Vosper Thornycroft	87.8	62.5	68.5	56.4	28.18	100.0	77.5	11.73
98	98	United Biscuits	86.5	5.4	75.8	4.5	14.12	7.67	-53.2	161.50
99	–	Weir Group	85.5	22.4	49.6	29.1	72.38	137.80		
100	72	Rio Tinto Zinc	83.0	7.7	135.0	11.4	-38.52	2.07	-95.0	214.46

Rank
2 ICI: y/e 31.12.90. UK t/o based on the sales in the area customers are located was £2,996m (£2,917m in 1989).
3 BP: y/e 31.12.90.
4 Ford UK: y/e 31.12.90; includes Jaguar figures from 31.12.89. Jaguar's exports in 1989 were £689.2m making combined total for 1989 £2,362.2m increase of 15.53% on 1989.
5 IBM UK Holdings: Exports: £2,060m (£1,813m in 1989) goods from Greenock & Havant; £288m (£269m) services from Hursley & UK International Centres.
6 Rolls Royce: incorporates NEI Plc. y/e 31.12.
7 Shell UK: y/e 31.12.90.
8 British Steel: imports are British Steel's estimate: y/e March 91.
9 GEC: y/e 31.3.91. exports include 50% share of exports of joint venture operations.
10 Johnson Matthey: y/e 31.3.91; imports not available.
11 Guinness: y/e 31.12.90.
12 Trafalgar House: y/e Sept 90; did not supply figures last year. John Brown (subs. of Trafalgar House) had exports of £177m (ranking 57th last year) is now subsumed into Trafalgar House's figures.
13 Glaxo: y/e 30.6.90.
14 Lucas: y/e 31.7.90.
15 Rank Xerox: y/e 31.10.90.
16 Esso UK: y/e 31.12.90. Exports breakdown to £182.6m Europe & 408.8m Rest of the World.
17 Unilever: y/e 31.12.1990; imports £715m (£680m in 1989) are company's estimate.
18 Conoco: part of the Du Pont. Combined exports with Du Pont's are £739.1m.
19 Kodak: y/e 31.12.1990.
20 Varity Holdings: y/e 31.1.91.
21 Courtaulds: y/e 31.3.91.
22 Peugeot Talbot: y/e 31.12.90.
23 INCO Europe: y/e 31.12.1990.
24 Tenneco Europe: y/e 31.12.90 exports £123.3m direct, £251.2m inter-company (£107.4 & 213.8m in 89); imports £94.7m direct & £182.3m inter-company (£82.5m & £144.7m in 89).
25 Allied Lyons: y/e 2.3.91. Exports are duty free & UK t/o includes excise duty. Adjusted for duty exports represent 26% (22%) in 90 of total sales.
26 Hawker Siddeley: y/e 31.12.1990.
27 Wellcome: imports break down into £20m chemical & pharmaceutical raw materials, £9m services; £9m engineering & £3m packaging. Imports are co's estimate.
28 SmithKline Beecham: y/e 31.12.90.
29 Exxon Chemical: y/e 31.12.90.
30 Rothmans Int'l: y/e 31.3.90.c/s t/o now includes consolidated subsidiaries undertakings previously accounted for as associated co's; the comparable figure for 89/90 is £1,532m (£1,264m).
31 Texaco: y/e 31.12.1990.
32 Ciba-Geigy: y/e 31.12.1990.
33 Racal Electronics: y/e 31.3.1991.
34 ECC (formerly English China Clays): y/e 31.12.1990. Change of year end from 30.9. Figures are for 15 months.
35 J.C.Bamford: y/e 31.12.90.
36 Philips Electronics: y/e 31.12.1990. Company refused to supply any figures. Last year's data, as supplied by the company, were, exports £335m & UK t/o 1,319m, sales in UK 885m. According to the accounts filed with the Companies House exports were 254.8m, UK t/o 1,110.2m, sales in the UK £866.4m. This year's data taken from the Companies House accounts & 1989 data restated accordingly.
37 Grand Metropolitan: y/e 30.9.90.
38 T & N: exports include £48m (£58m in 89) exports to o/s subsidiaries. Net c/s t/o excludes inter-company sales by o/s subsidiaries. UK t/o also excludes intra-group sales. Imports include direct imports but excludes purchases of imported goods from UK distributors.
40 Caterpillar UK: y/e Nov 90; y/e changed from Sept data for 14 months 12 months estimate.
42 Vickers: y/e 31.12.90.
43 British Alcan Aluminium: y/e 31.12.90.
44 Rhone Poulenc: did not submit data in previous years. The RTZ Chemicals included from ...
45 Cummins UK: y/e 31.12.90.
46 Leyland DAF: y/e 30.9.90, did not supply data previously.
47 Seagram Distillers: y/e 31.8.91.
48 Short Brothers: y/e 31.1.91T.
49 BICC: y/e 31.12.90.
50 BAT: y/e 31.12.90.
51 Pearson: y/e 31.12.90.
52 Thorn EMI: y/e 31.3.91.
54 IMI: y/e 31.12.90.
55 Hanson Trust: y/e 30.9.90.
56 Du Pont: y/e 31.12.90.
57 Nestle: includes Rowntree. y/e 31.12.90.
58 British Nuclear Fuels: y/e 31.3.91.
60 Simon Engineering: y/e 31.12.90.
62 Smith Industries: y/e 4.8.90.
63 Hewlett Packard: y/e 31.10.90.
64 Monsanto: y/e 31.12.90.
65 Westland Group: y/e 30.9.90.
66 Davy: y/e 31.3.91. Now part of Trafalgar House.
67 Dowty: y/e 31.3.91.
68 Marks & Spencer: y/e March 91.
69 Gulf Oil: y/e December 90.
71 ASW Holdings: y/e 31.12.90.
72 De La Rue: y/e 31.3.91.
73 Mobil Oil: UK t/o excludes duty & sales taxes.
74 Goodyear Tyre & Rubber: y/e 31.12.90.
75 Coalson Group: y/e 31.12.1990.
76 Allied Colloids: y/e March 91.
77 Reed International: y/e 31.3.91. UK t/o on country of origin basis, alternatively on geographical basis t/o £790.5m in 91 & £834.0m in 90.
78 Ingersoll Rand: y/e 31.12.90.
79 Siebe: y/e 31.3.91.
80 Schering Holdings: y/e 31.12.90.
81 Sears, y/e 31.1.91.
82 Pilkington Brothers: y/e 31.3.91.
83 Coats Viyella: y/e 31.12.90 exports include £16.5m to o/s subsidiaries.
84 Amersham International: y/e 31.3.91. Group disposed of part of its UK manufacturing business & acquired major subsidiary in North America. In addition sourcing of materials from overseas increased following closure of the UK AEA reactor at Harwell.
85 Polaroid: y/e 31.12.90.
87 APV: y/e 31.12.90.
88 Glynwed Group: did not supply figures last year.
92 Roche Products: y/e 31.12.90.
93 Cyanamid UK: y/e Nov 90.
94 BBA Group: y/e 31.12.90. Did not supply figures last year.
96 Dawson International: y/e 31.3.91.
97 Vosper Thornycroft (UK): y/e 31.3.91.
99 Weir Group: y/e 31.12.90.
100 Rio Tinto Zinc: y/e 31.12.90.
– STC 1989 rank 24 with exports of £384.0m taken over by Northern Telecom and was unable to supply any data on Exports or UK t/o.

NOTE: Net Exports are exports minus imports where available. Research by Jan Schling, Editorial Research

Eximbank goes to the limit with $11.35bn credits

> For the first time in more than 10 years the US trade bank has committed every dollar, writes **Nancy Dunne**

FOR the first time in more than a decade, the US Export-Import Bank yesterday reached the end of its fiscal year having committed every dollar authorised by Congress to provide for trade finance – and more.

It has made available $11.35bn (£6.5bn) in loans, guarantees and insurance. Another $100m has been "rolled over" to fiscal 1992.

Like other US agencies, Eximbank has been scrambling to keep abreast with upheavals around the world. In December it went "on cover" in the Soviet Union. After the failed coup, the few deals finally put together were frozen until it could be determined which entity or republic was promising to repay the financing.

At the same time, Bush administration officials were in Congress urging a repeal of the $300m limit on Eximbank lending to the Soviet Union. Trade finance, because it is conducted largely through guarantees and not direct payments, is one of the few benefits the US government with its budget deficit can afford to help its former adversary along the road to capitalism.

Within its own limited resources, Eximbank has taken to heart all its congressionally-mandated missions. It must finance US sales to clients which the commercial banks are reluctant to touch, while also ensuring that the borrower provides "a reasonable assurance of repayment". It must furthermore boost US manufactured exports, which recently have provided the one bright spot in the US economy.

This means, that like the US military, Eximbank must carefully select its battle ground. Latin American countries are favoured clients. In Mexico, the Bank authorised an estimated $4.5bn for transactions in the most recent fiscal year. In the last week, it announced approval of four guarantees totalling $1.3bn to Mexico for exports to the state oil company and five transactions worth $824.5m for communications satellites, nuclear fuel equipment and services, a fibre optic cable, and financing facilities for transport, air pollution reduction and infrastructure development.

Last week it provided a $37.3m guarantee for the exports of gas equipment and services to Venezuela. It has been doing a brisk business with Brazil's private sector, and once Brazil works out a new deal with the commercial banks, financing for public sector projects will be available.

Eastern Europe, on the other hand, has produced more paper shuffling than contracts. Demand has recently picked up, but Mr Eugene Lawson, Eximbank's vice-chairman, concedes that the market will never be as strong for the US as for Europe.

"The big opportunities for us lie south of the border and in the Pacific," said Mr Lawson.

But there remain deals to be done in the European region, although mostly small ones, particularly in Poland, where 10 transactions worth $39m were authorised, bringing total exposure to $550m. Five projects in Yugoslavia worth $21m have been concluded. Five projects were authorised in Czechoslovakia for $11m, and the bank expects soon to open up in Bulgaria.

The Middle East, which offers both lucrative contracts and good repayment prospects, is looked on with great interest. Kuwait chose Eximbank for its first export financing pact, signing a "framework" agreement for up to $2bn.

The agreement provides for Eximbank assistance to the Kuwaiti government "in managing and controlling its external financing arrangements and in expediting reconstruction." The bank is also considering "bundling" for Kuwait, a practice it has used profitably in Mexico to help small businesses gain contracts. It gathers up small transactions into one facility which is then placed in the capital markets.

Mr Lawson said the bank is determined US exporters, who must contend with tied aid competition, lose no deals in Kuwait because of inadequate export finance.

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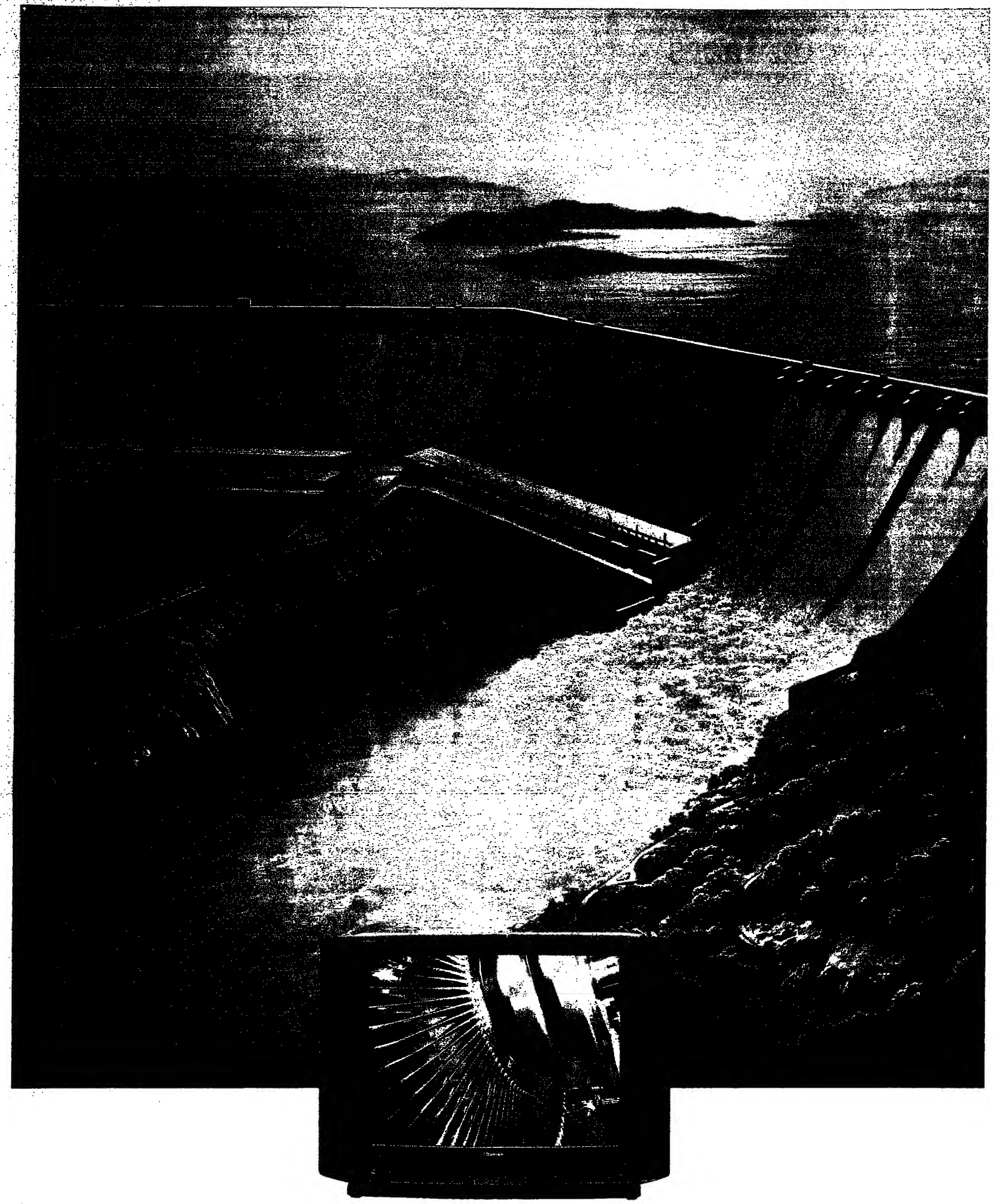

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Turkish group faces scrutiny in US

By Alan Friedman in New York and Richard Donkin in London

THE Çukurova group, the Turkish company that acquired a Swiss bank controlled by the Bank of Credit and Commerce International (BCCI) just 14 days after BCCI was shut down in July, is facing scrutiny from US investigators and bank regulators.

On July 19 Çukurova acquired the Geneva-based Banque de Commerce et Placements (BCP), a small bank that was controlled by BCCI. The first US indictment of BCCI officials on drug money laundering charges in Tampa, Florida in 1988 stated that some of the drug proceeds were transferred into accounts at BCP. One US investigator described BCP as "a major link" in the BCCI chain.

The 1988 indictment said that as part of the BCCI money laundering conspiracy drug proceeds were held in certificates of deposit held at BCP-Geneva and that narcotic drug proceeds were wire transferred into accounts at BCP-Geneva.

BCP itself is being investigated by US prosecutors and bank regulators to see whether the bank may have also been used to help finance a series of covert arms sales to countries in the Middle East.

Mr Alfred Hartmann, BCP's non-executive chairman, said on Sunday that BCP had never been used for drug money or in arms deals. Price Waterhouse, the BCCI auditors, had been looking only at payments channelled through BCP to the Grand Cayman subsidiary of BCCI by BCCI executives seeking to hide losses, he said.

The Istanbul-based Çukurova group is one of Turkey's largest financial and trading companies, with a revenue of $4.3bn (£2.47bn) in 1990 and a workforce of 40,000.

The company has not been accused of wrongdoing, but is facing US scrutiny because of its purchase of BCP and as it is trying to buy the 14-branch First National Bank of Rochester in upstate New York.

Mr Wilbur Beh, chief executive of First National, said the bank – which made a $1.4m loss in the first half of 1991 – decided to accept "a reasonable offer" from Çukurova.

US investigators and bank regulators say the US bank deal will be subject in part to their probe of Çukurova's acquisition of BCP.

"How much due diligence can Çukurova have done if it bought BCP just 14 days after the BCCI shutdown? That leads us to wonder why they moved so fast to swallow BCP," said one senior US investigator.

Mr Hartmann, a member of the BCCI board until he resigned in May, said the purchase of BCP was based on a Swiss auditors report that went to the Federal Banking Commission. Mr Hartmann said the report, which was completed in June, had given a "fairly up to date" picture of the bank. Price Waterhouse, he said, had also declared that after possible provisions the bank still had positive capital.

He also revealed the purchase had gone ahead before it received formal authorisation by the Federal Banking Commission on August 29, but said that the commission had been informed ahead of the sale and had indicated authorisation would be given.

In Turkey, Çukurova controls three banks, including Yapi ve Kredi, one of the biggest Turkish private sector commercial banks.

In Istanbul, Mr Mehmet Emin Karamehmet, president of the Çukurova group, said his company had acquired 85 per cent of BCP from commissioners in Luxembourg who oversaw the assets of BCCI Holdings; the remaining 15 per cent of BCP is controlled by the Union Bank of Switzerland (UBS).

Mr Karamehmet said Çukurova paid money for the BCP acquisition into escrow accounts and agreed to increase BCP's capital by SFr35m (£13.7m). He said BCP had SFr300m of outstanding loans and consisted of four branches in Luxembourg, and various offices in Geneva, Zurich and Lugano.

The Çukurova president said he had been looking to buy a bank in Switzerland for some time and that he had consulted Price Waterhouse. "We asked if there were any irregularities and they said there had been around SFr1bn of bank-to-bank transactions between BCCI and BCP, but everything was normal and there was no money laundering." Price Waterhouse refused to comment.

US investigators are already looking at possible links between BCP and Banca Nazionale del Lavoro (BNL), the Italian bank whose Atlanta, Georgia, branch made more than $4bn of improper loans to Iraq that helped Mr Saddam Hussein's nuclear, chemical and ballistic missile projects.

Mr Hartmann resigned recently as chairman of Lavoro Bank of Zurich, the Swiss affiliate of BNL, after allegations that BNL had ties to BCCI through him. He denied the allegations and said his resignation had been to spare BNL further publicity.

In Rome, BNL issued a statement earlier this month in which the Italian bank claimed Mr Hartmann's sudden resignation occurred "not to further fuel suspicions of connections between one bank and the other."

Populist Nebraska senator joins presidential race

By George Graham in Washington

SENATOR Bob Kerrey of Nebraska announced yesterday he would join the growing field of contenders for the Democratic nomination in next year's presidential election.

Mr Kerrey, 48, launched his campaign from the Nebraska state capitol steps in Lincoln with a sharp attack on President George Bush and his predecessor, President Ronald Reagan.

"I am running for president because America urgently needs better, bolder leadership that will build for greatness again," he said.

The first-term senator has attracted widespread interest with his youthful good looks, his quick tongue and his war hero's limp. He is widely viewed as the man to beat in the Democratic primaries.

A liberal populist in a conservative prairie state, Senator Kerrey is expected to win votes from Senator Tom Harkin, from the neighbouring state of Iowa, who is the main flag-bearer of Democratic party traditionalists.

His unconventional approach to government could, however, also erode the support of the centrist Governor Bill Clinton of Arkansas, who is expected to declare his candidacy on Thursday.


Bob Kerrey: unconventional approach to government

As a young lieutenant in 1969 Mr Kerrey lost part of a leg and won the Congressional Medal of Honour – the US's highest gallantry award – leading an assault on an enemy stronghold in Vietnam.

His subsequent disillusionment over the Vietnam war was bitter, but his medal and his artificial limb have provided him with armour against accusations that he was unpatriotic when taking stands against the Gulf war, or against a proposed constitutional amendment to outlaw the desecration of the US flag.

Senator Kerrey makes good use of his experience of Veterans' Administration hospitals when he discusses health care reform, one of the areas on which he has concentrated in his short Senate career.

But he also points to his version of the US success story – his rehabilitation from the bitterness he felt on his return from Vietnam, and the creation with his brother-in-law of the successful Grandmother's Skillet restaurant chain.

As governor of Nebraska from 1983 to 1987 Mr Kerrey showed an ability to remain popular while pressing unpopular policies, such as higher taxes. He then walked away from the governorship when he seemed assured of a second term, raising questions about his seriousness but reinforcing his image as an outsider who does not care about power for its own sake.

US hopes for peace dividend grow

DEMOCRATS and Republicans have praised President George Bush for his proposals to reduce the US and Soviet nuclear arsenals, but his initiative has also whetted appetites for a "peace dividend", writes Lionel Barber in Washington.

Mr Brent Scowcroft, Mr Bush's national security adviser, cautioned it might take five years for the mix of unilateral and negotiated nuclear cuts to produce big savings in the $300bn (£172.4bn) annual US defence budget.

This assessment will inevitably fuel congressional demands for faster savings, starting with this year's military budget which is under negotiation in conference committee between House and Senate representatives.

Senator Sam Nunn, Democrat chairman of the Senate armed service committee, raised the stakes last weekend by pointing out that Mr Bush's proposals, while welcome, may have robbed his own supporters of bargaining chips in the conference.

He forecast increased pressure to cut the B-2 bomber and the "Star Wars" anti-missile system. This would be more difficult to resist now that Mr Bush had unilaterally elected to terminate the MX multi-warhead missile.

"The outcome of the conference is clearly going to be affected," Mr Nunn said.

Other Democrats said Mr Bush's proposals confirmed the Soviet threat had eroded dramatically. This would make it easier for Democrat candidates campaigning for president to urge the transfer of resources from military to domestic spending.

The White House still has strong cards to play.

Having made an offer of unilateral cuts, Mr Bush will press the Soviet Union to make similar reductions in its nuclear arsenals, matched by still deeper cuts in their own bloated military budget.

Until this happens Mr Bush will argue that cuts in US defence spending, beyond those already planned, would be premature. He is also ready to use his veto power, if the final defence bill is not to his liking.

Caterpillar averts strike action

CATERPILLAR, the world's largest construction and earth-moving equipment company, has averted a strike by the United Auto Workers union, writes Barbara Durr in Chicago.

After a meeting last Saturday the two parties agreed to extend indefinitely the company's current labour contract covering nearly 17,000 workers, which expired at midnight last night. Negotiations are to continue this week.

Fifteen die after Haiti coup bid

By Canute James

SOLDIERS failed yesterday in an attempt to overthrow Mr Jean-Bertrand Aristide, president of Haiti, but violence in the Caribbean republic left 15 people dead and more than 100 injured.

The soldiers fired on the president's residence on the outskirts of Port-au-Prince, the capital, but Mr René Preval, the prime minister, said later Mr Aristide was unharmed. His whereabouts were not disclosed.

It was unclear to what extent the attempted coup was supported by the army leadership, which has often pledged loyalty to the president. The US and France condemned the incident, and reaffirmed their support for Mr Aristide.

The coup attempt sparked widespread displays of support for the president. Thousands of Haitians took to the streets and set up barricades. Arson was reported.

The soldiers responsible are reported to be from a brigade being disbanded under reforms instituted by the president, who took office in February following the country's first elections in 33 years. A former priest, Mr Aristide was elected on a platform to ease the economic plight of the country's 7m people.

Yesterday's attack on the president's residence was followed by shooting outside the prison in which Mr Roger Lafontant, a former interior minister, is being held after leading a short-lived coup in January.

Argentina confident on debt reduction deal

MR Domingo Cavallo, Argentina's economy minister, has promised his country's chronic foreign debt problems will soon be "ancient history", writes John Barham in Buenos Aires.

On his return from debt negotiations in the US, Mr Cavallo said he expected to have a debt reduction programme for the $61bn (£35bn) foreign debt in place by June 1992. The minister said that his first objective would be to negotiate a $3bn extended fund facility loan with the International Monetary Fund (IMF).

Argentina needs to raise $5bn-$6bn to pay interest arrears and to purchase US Treasury bonds needed to underpin a debt reduction package.

Aides say talks with Mr Michel Camdessus, IMF managing director, Mr Nicholas Brady, US Treasury secretary, and Mr William Rhodes, chairman of the private banks' steering committee for Argentina, went better than expected. Officials hope talks will be advancing well by the time President Carlos Menem visits Washington in November.

Uruguay sell-offs

Uruguay's Congress has approved legislation allowing the government to begin privatising state companies, which include utilities, the national airline and the telephone company.

Officials promised that privatisation receipts would be used to increase spending on education and health.

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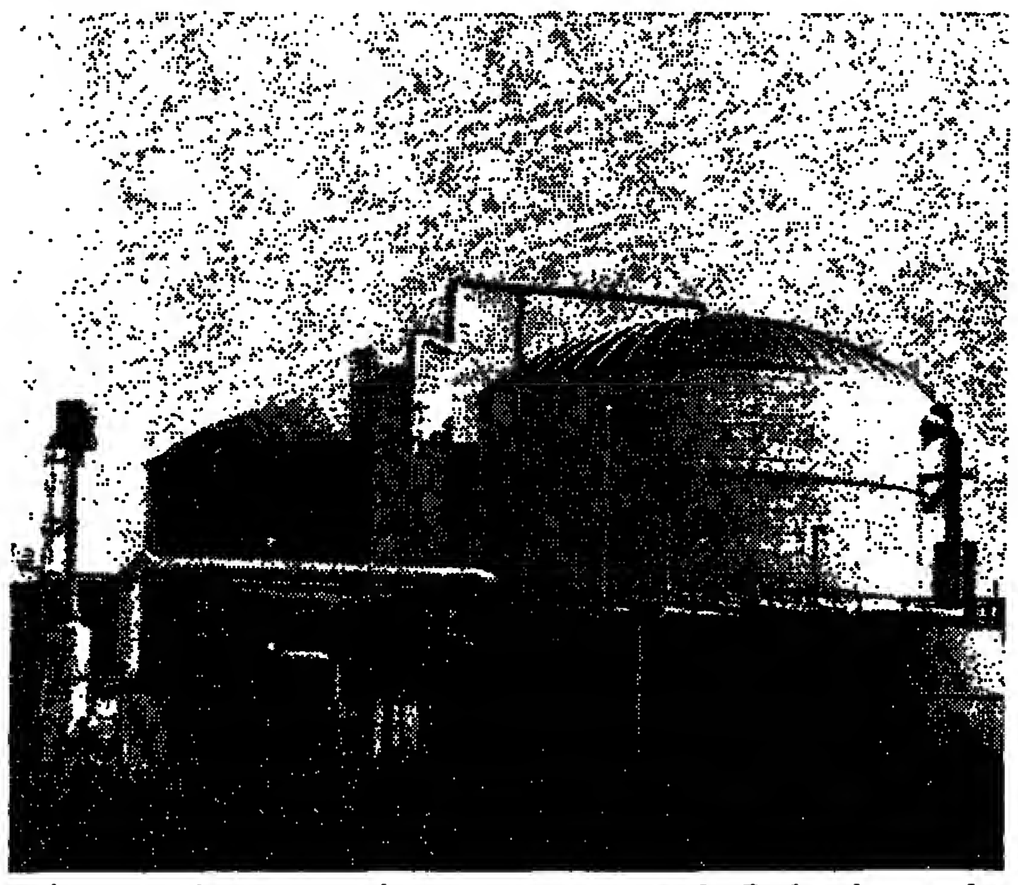

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Bank clerks fear being shut out in the cold

By Diane Summers

FOR THE four female bank clerks shivering in the autumnal early morning air outside Lloyds Bank's corporate headquarters in Lombard Lane, City of London, yesterday, it was their first taste of picket line action.

As members of the Banking Insurance and Finance Union (Bifu), the four were among those taking part in a national one-day strike of the bank's staff to protest over a pay restructuring plan being implemented from today. The plan, argues Bifu, will leave up to half of the 37,000 workforce worse off by as much as £3,000 a year.

The industrial action was the first national strike in the sector since 1983. That dispute was over the loss of a half-day Christmas holiday and involved all the clearers.

All four women on Lombard Lane picket duty yesterday had joined Lloyds as school-leavers between 10 and 14 years ago, lured by the prospects of job security. "But it hasn't worked out that way – we're certainly worse off than workers at other banks," said one.

Mr Jim Cauldwell, a national official of the union who joined the Lombard Lane protesters yesterday, was less reticent: "We've had reports of managers intimidating staff over this action. And you know how intimidating bank managers can be."

Over the UK as a whole, support for yesterday's action was described by Lloyds management as "patchy". The bank said 29 branches were closed but fewer than 3,000 out of 40,000 employees overall had taken part in the action.

The bank's 3,000 managers moved to a performance-related pay system last year. The latest move involves employees from assistant manager down to clerical grades. The existing 26-grade structure is being replaced with a seven-grade one.

After the completion of a job evaluation scheme, some jobs will be downgraded and pay frozen. Lloyds management has stressed, however, that no employees will get a pay cut as a result of the regrading.

OFFSHORE FUNDS

Isle of Man seeks to become European leader

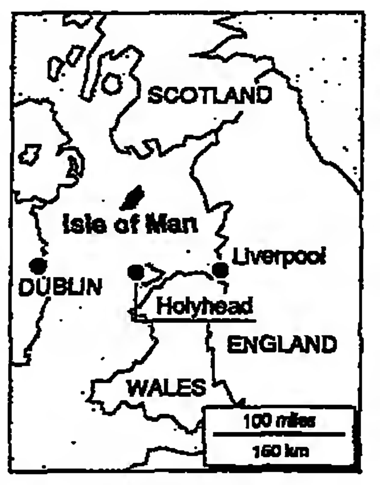
By Sue Stuart

FUND MANAGEMENT companies operating in the Isle of Man will have their tax rate on the fees they earn reduced to 5 per cent from the island's standard rate of 20 per cent from April 1992, the Manx government announced yesterday.

The initiative is part of the island's effort to become Europe's leading centre for offshore funds.

Mr Chris Edmonds, collective investment schemes supervisor on the island, said the move was designed to encourage expansion of existing businesses in the Isle of Man and attract new businesses.

Funds under management in the Isle of Man now stand at £2bn in two types of scheme – authorised and restricted schemes. A collective investment scheme authorised by the island's Financial Supervision Commission and established in the Isle of Man may be promoted to the public in the island and elsewhere, while a restricted collective investment scheme may only be promoted off the island.



Latterly there has been large growth in restricted schemes in the island, which now total 62. The number of authorised schemes has not grown so rapidly – there are 19.

The reduced tax rate will be levied on the fees fund managers of authorised and restricted schemes charge their customers, mainly investing institutions. The concessionary rate does not apply to managers administering funds on behalf of those who have set them up, or those providing private portfolio services.

Mr Edmonds said the Manx fund management industry would be larger than that of Jersey and Guernsey – where the tax rate for fund managers is 20 per cent – by the end of the decade.

The tax rate for managers based in Dublin's finance centre is 10 per cent. Ireland is part of the European Community, while the Isle of Man is not a full member, but as a crown dependency of the UK has a special relationship with it. It can export certain products, not financial, into the EC.

The Manx government believes the two centres could develop a complementary working relationship in the years ahead, as they serve differently located client bases.

The strict regulatory framework, built after the collapse of the Savings and Investment Bank in 1982, is regarded by Manx-based institutions as helpful rather than onerous.

Judge dismisses case against two Blue Arrow defendants

CHARGES against two defendants in the Blue Arrow fraud trial – Mr Stephen Clark, a banker with County NatWest and Mr Alan Keat, a City solicitor – were dismissed by the judge at the Old Bailey yesterday.

Ruling that there was no case to answer against either defendant, Mr Justice McKinnon said there was no evidence they had joined the alleged conspiracy to mislead the markets over the result of the 1987 Blue Arrow rights issue.

The whole thesis of the prosecution's case against Mr Clark, which was he had acted as a "sentry" in the alleged conspiracy, had been "completely destroyed", he said.

Charges against five other individual defendants remain. The prosecution has alleged that the secret buying of stakes of Blue Arrow shares in the £837m issue by County and Phillips & Drew, the company's advisers, amounted to a conspiracy to rig the market.

Mr Clark, who is employed by County and Mr Keat, a partner with City solicitors Travers, Smith, Braithewaite, will not be formally acquitted until the jury returns.

The judge lifted reporting restrictions on his rulings, given to a packed public gallery after long legal arguments in the absence of the jury.

After leaving the courtroom, both Mr Clark and Travers, Smith, Braithwaite, on behalf of Mr Keat, issued statements.

Travers, Smith, Braithwaite said it was "delighted but not surprised" by the dismissal of the charges against Mr Keat, who gave legal advice to County over the holdings it bought in the issue.

The Department of Trade and Industry report on the issue, from which the case arose, made no criticism of Mr Keat, the law firm said.

Mr Clark, whose position as a County director involved liaising with the Bank of England over the issue, also said he was "delighted".

The five individual defendants left are: Mr Nicholas Wells and Mr David Reed, both former County NatWest corporate finance directors; Mr Jonathan Cohen, a former County chief executive and Mr Martin Gibbs and Mr Christopher Stainforth, former corporate finance directors with Phillips & Drew Securities. County NatWest, NatWest Investment Bank and UBS Phillips & Drew Securities are also charged as corporate defendants.

BRITAIN IN BRIEF

Lamont to meet spirits producers

Leaders of the Scotch whisky, gin, and vodka industries are to meet Mr Norman Lamont, chancellor of the exchequer, to discuss the UK's approach to harmonisation of excise duties in the European Community after 1992.

The meeting follows concern in the UK spirits industry about the threat to its exports of increased tax discrimination between spirits and wine and beer.

A last-minute protest from the industry – led by international drinks companies, Guinness, Grand Metropolitan, and Allied-Lyons – prevented the government from agreeing proposals in July that would have raised spirits prices by £2.50 a bottle in Spain, Greece, and Portugal.

Classic FM secures station

Classic FM has secured its place as the UK's first national commercial radio station.

Classic, which plans to offer a popular classical music service 24 hours a day, was awarded the franchise last month subject to confirming that its £8m financing was in place. Classic FM which has now raised £6.3m was second in the highest bids for the "non-pop" national commercial licence with a bid of £670,000 a year.

Greenway case

A hearing opened at Bow Street magistrates court for the committal for trial of Mr Harry Greenway, Conservative MP for Ealing, west London, and four other men on corruption charges involving British Rail contracts.

Reflection of the times: Mr John Judson (left) and Mr Christopher Derry of auctioneers Henry Butcher with aircraft to be auctioned on Thursday at Stansted airport, Essex. The sale, expected to raise £11m, includes lots from the US, France and Belgium.

Evidence at Guinness trial

Southwark crown court in London heard evidence that Mr Roger Seelig, former corporate finance director at Morgan Grenfell, wanted to compensate those who supported Guinness's share price during its takeover battle with the Argyll supermarket group for Distillers in 1986.

Mr Olivier Roux, former Guinness finance director, said he and Mr Seelig had arranged for false invoices to be submitted to Guinness to cover payments to supporters.

Mr Roux is the first prosecution witness in the trial of Mr Seelig and Lord Spens, the former corporate finance managing director at Henry Ansbacher merchant bank.

Both deny criminal involvement in an unlawful share support operation mounted by Guinness to induce Distillers shareholders to exchange their holdings for Guinness shares.

Bank denies breaking ranks

Royal Bank of Scotland denied it was breaking ranks with other banks by launching the UK's first cheque guarantee, cash and debit card with the customer's photograph etched into it. The bank is to ask customers to take part in a pilot project for the new version of its Highline card.

Abta attacks new proposals

Government plans to tighten regulation of the travel trade do not go far enough to ensure full protection of consumers, according to the Association of British Travel Agents (Abta). It said unless these loopholes were plugged, holidaymakers could lose millions of pounds and risk being stranded abroad if their travel companies ceased trading.

Builder to sue government

Mr Mark Harries, a Cardiff builder and entrepreneur who says he is going bankrupt, has been given leave in the High Court for a £1m compensation claim against the Treasury over the way the Government has handled the country's "affairs, laws and assets".

At a brief private hearing in London, a High Court official said the case was worthy of consideration.

Gascoigne has knee operation

Mr Paul Gascoigne, the England soccer star, is recovering from a second operation on his right knee which could jeopardise his transfer from London side Spurs to the Italian club, Lazio. The operation followed a scuffle at a night club in Newcastle upon Tyne.

WORLD ECONOMY

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Data source: Chief Executives in Europe 1990

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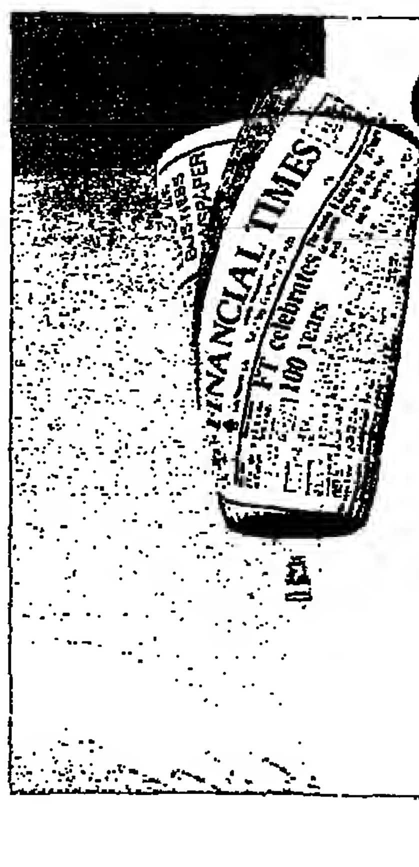

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FINANCIAL TIMES

UK NEWS

Labour pledge to make Britain 'best in Europe'

By Philip Stephens, Political Editor

MR Neil Kinnock will today launch his general election campaign by committing a future Labour government to the creation of "a strong economy, a fair society and a modern community."

In a speech to the opposition Labour party conference in Brighton designed to demonstrate that his party now has a clearly-defined programme for government, Mr Kinnock will spell out the priorities for his first year in office following the election, which must take place before June next year.

Under the slogan "making Britain the best in Europe", he will put investment in the economy, the extension of opportunity to the disadvantaged and excellence in public services at the heart of Labour's campaign.

He will signal that Labour will leave the door open to possible changes in the electoral system to embrace proportional representation as part of a commitment to the widespread devolution of power.

The speech will follow a carefully-orchestrated display of Labour's talent yesterday at the annual conference in which the stars of its "front bench" team – Mr John Smith, Mr Gordon Brown, Mr Tony Blair, Mr Jack Straw and Mrs Margaret Beckett – sought to blend the promise of economic prudence with the promise of action.

TALKING HEADS: Neil Kinnock, Roy Hattersley, and John Smith on the platform at Brighton as Labour launched its last conference before the next election

Mr Smith, the opposition's economic spokesman, sought to pre-empt further Conservative attacks on Labour's tax and spending policies by underlining once again that those earning less than £20,000 would not face higher bills.

He also offered a clear hint that his proposed new 50p top rate of income tax will not apply to those earning less than £40,000. The current 40p top rate is levied on earnings of above £27,000.

He derided the government's economic record and promised that Labour would deliver a real recovery: "A recovery based on investment in industry and in people, not another candy floss consumption boom."

The mood of the conference yesterday was deferential rather than excited but Mr Smith, Mr Brown, and Mr Blair all confirmed there status as potential future leaders of the party with strong speeches from the platform.

Mr Brown, the Labour trade and industry spokesman, promised to establish a new "university for industry" as part of a clutch of initiatives to revive the country's manufacturing sector.

From Mr Blair and Mr Straw there was a promise that Labour would begin a programme to make Britain's the best educated and trained workforce in Europe.

But with Mrs Beckett, the junior spokeswoman on economic affairs warning that Labour would not spend more than it could afford, none of the speakers put specific price tags on their plans.

Europeans insist: It's my party and I'll cry if I want to

BRITAIN'S Labour party takes its turn this week to sell its policies to the electorate.

Its annual conference, like that of the ruling Conservatives and third party Liberal Democrats, is designed to convey the image of a united party equipped to govern.

A successful conference can boost public support just as quickly as a disastrous one can destroy reputations and rewrite the political agenda.

Here FT correspondents review the current health of the party conference season in four European countries:

● France: leading political parties are beginning to find that party conferences are the last place where they can expect to keep the lid on internal divisions.

To their cost, the two leading parties, the Socialists and the Gaullist RPR, have found that personal power struggles have taken over from the usual ideological debate at their most recent biannual conferences, last year.

Rivalry between potential presidential candidates at the Socialists' last congress in Rennes left the majority clan of President François Mitterrand intact, but only just. The damage was so serious that the party has had to call a new conference in mid December – a year earlier than usual – to try to heal internal divisions.

Mr Chirac, president of the RPR, was put on the spot last year by an uncomfortably close challenge by the party's populist wing, led by Mr Charles Pasqua, calling for a return to the party's nationalist roots and a tough line on immigration.

This kind of power struggle is almost unheard of at the National Front, where the extreme right wing Mr Jean-Marie Le Pen maintains a booming dominance over his conferences. The Communists have managed to stifle dissent against the Stalinist line of their leader Mr George Marchais. Meanwhile, Mr Marchais' interminable speeches will make sure the Communists continue to hold the dullest party conferences in France.

● Germany: Conference season is an open-ended affair, rolling through the year interspersed with "party days" in the different states. But the idea of fringe-politikers gathering on the sidelines to take potshots at their Bonn masters is unknown outside the Green Party.

Members of the senior parties, the CDU and SPD, know what has happened even before the conferences start. But they turn up all the same for the mutual backscratching, and to nod as the party bosses tell them what is good for them and the country.

Unification a year ago has widened the choice of venues. The CDU, for example, gathers in Dresden in December for a party day in the east where it will rubber-stamp the choice of Ms Angela Merkel as deputy chairman of the party.

● Spain: Party conferences in Spain – known as congresses – are sometimes dismissed as a fix, with most discussion agreed before speakers get to their venues. But last year's congress of the ruling Spanish Socialist Workers Party (PSOE) may have broken the mould with Mr Carlos Solchaga, the finance minister, declaring at the end of it: "I am the loser".

Mr Solchaga was seeking the election of more cabinet ministers to the party's governing federal committee. But the party administration mounted a successful campaign to frustrate him.

The row helped improve the reputation of the Spanish congresses as forums where something actually happened.

Interest at these gatherings tends to centre on the election of party officials rather than on on broad policy guidelines. The PSOE pays only scant attention to positions adopted by its congress.

Further signals that congresses may be assuming greater political relevance came last weekend when the Centro Democratico y Social (CDS) party of former Mr Adolfo Suarez, the former prime minister, ignored his favoured replacement candidate and elected someone else.

In a throwback to the years of the Franco dictatorship, when conferences were held in exile, political parties remain reluctant to fix pre-set dates for their conferences.

● Ireland: Party bosses run the show at conferences in Irish politics. One party veteran says: "There is a lot of razzamataz, a bit like a Democratic convention in the US. The leader's speeches will attract upwards of 8,000 delegates and observers, but for the remainder of the conferences attendance is often quite sparse."

Conferences are designed to show the flag and inspire the party faithful. They rarely make waves.

The two main parties, Fianna Fail and Fine Gael, discuss and debate policies at their annual conferences. But in Fine Gael's case, conference resolutions are not binding on the parliamentary party which ultimately controls policy and decides upon its platform.

In Fianna Fail's case, the conference is technically the supreme authority of the party, but in practice it is the party leader who wields the power.

That practice was showing signs of strain this week, as Mr Charles Haughey, the prime minister and head of Fianna Fail faced a rebellion from his own backbenchers.

Reports by William Dawkins, Christopher Parkes, Peter Bruce and Tim Coone

Draft code on MPs and lobbying draws immediate criticism

By Alison Smith

THE PLANS for a register of professional parliamentary lobbyists put forward by a cross-party committee of MPs yesterday have already been criticised for not going far enough in meeting concern about the growing extent and professionalism of the lobbying business.

The select committee on MPs' interests recommended in its report that the House of Commons should require lobbyists to register and abide by a code of conduct.

Each lobbying company would have to list on the new register its own directors and lobbying staff, any associated company and directors, all clients during the previous year, and MPs with a financial link.

Such a move would be controversial. The committee has already been told that some clients would be extremely "embarrassed" by its becoming known that they were seeking professional lobbying advice.

The elements most likely to attract attention in the draft code of conduct seem the banning of payments by result, and the undertaking not to offer an MP any inducement to further the interest of a client.

MPs would still, however, be able to receive "proper remuneration" as directors or retained consultants.

Sir Geoffrey Johnson Smith, the committee chairman, emphasised that the form of the register and the draft code set out in the report were not final recommendations but intended as the basis for discussion if the House of Commons agreed in principle to the register. Modest though the report is, even that did not pass through the committee unopposed.

Although the difficulties associated with a register are admitted, the report concludes: "The House has nothing to gain and a good deal to lose by allowing the present obscurity to persist." The committee envisages that a register should be in place soon after the election.

A later extension to other forms of lobbying, such as trade associations or pressure groups, is not ruled out, Sir Geoffrey made it clear that the priority was with professional lobbyists where "there is a particular need for transparency", because of the wide variety of interests represented.

Mr Roger Hayward, the president of the Institute of Public Relations, the professional body for public relations officers, welcomed the report, but regretted the "inconsistency" that, because the register will be a function of the Commons, there will be no requirement on companies which lobby only government departments to register. In Canada, the statutorily based register is primarily directed at those lobbying ministers and civil servants.

One UK lobbyist said yesterday that there were times when MPs would be "irrelevant" to decisions effectively taken by departments, and that the tightening should have extended to those lobbying Whitehall officials.

Some professionals also criticised the report for putting undue emphasis on lobbying at the expense of the basic point that lobbyists have only the access to parliament that MPs allow them.

MPs are allowed to have outside commercial interests, but they must be listed in the register which is already published annually, and declared if relevant to a speech made in the Commons.

The report this year will include ways to make the registration requirements more precise, and reviews of trade union sponsorship and MPs' links with consultancies.

Less reassuringly, perhaps, it will also address whether there should be a "statute of limitations" – committee members were concerned that the complaints against Mr John Browne, the Tory MP for Winchester who was censured for failing to declare all his business interests, went back some seven or eight years.

A rejected draft of yesterday's report said: "Lobbying *per se* is not a practice which can pervert parliament unless MPs allow it to happen."

It is the forthcoming recommendations about MPs themselves, rather than a register of parliamentary lobbyists, which will really test the committee.

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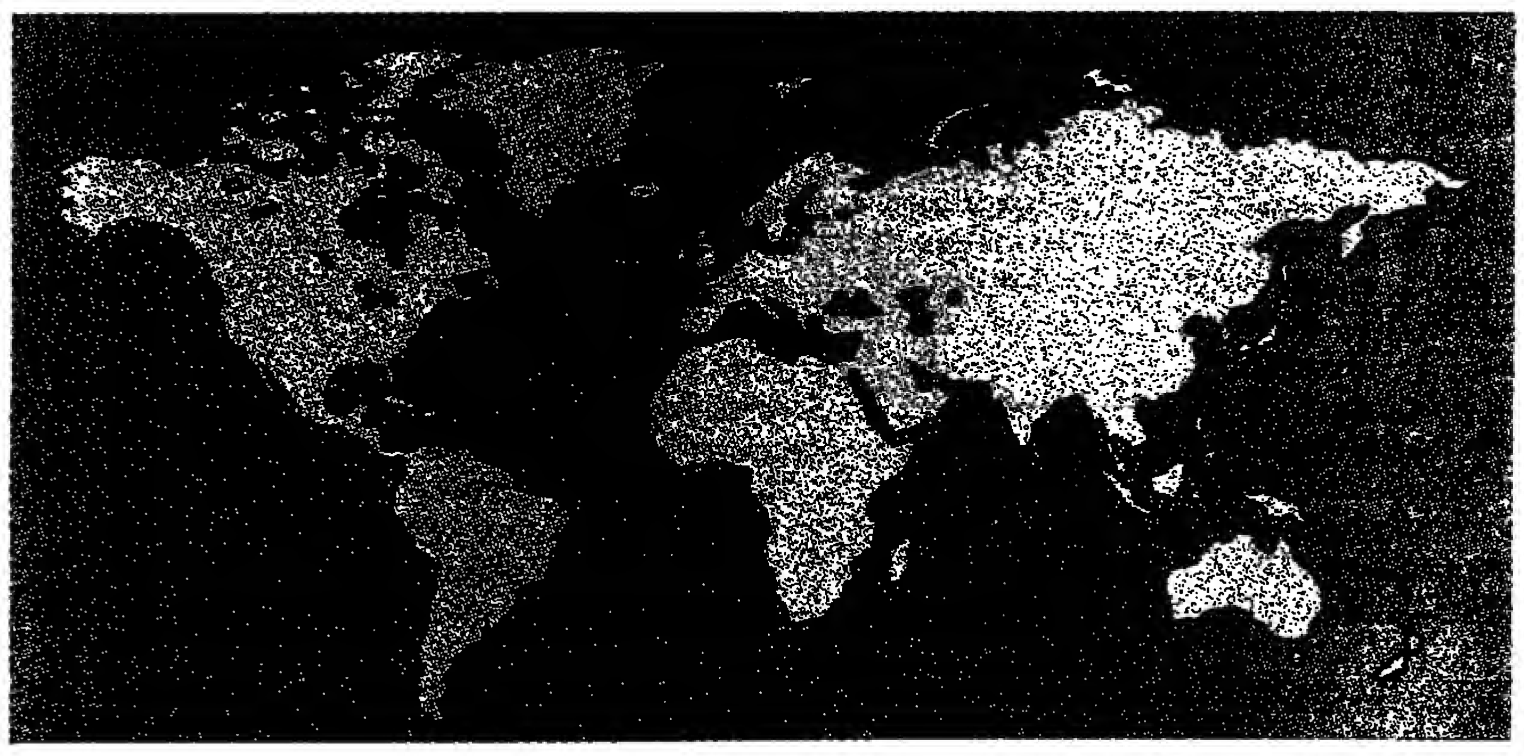

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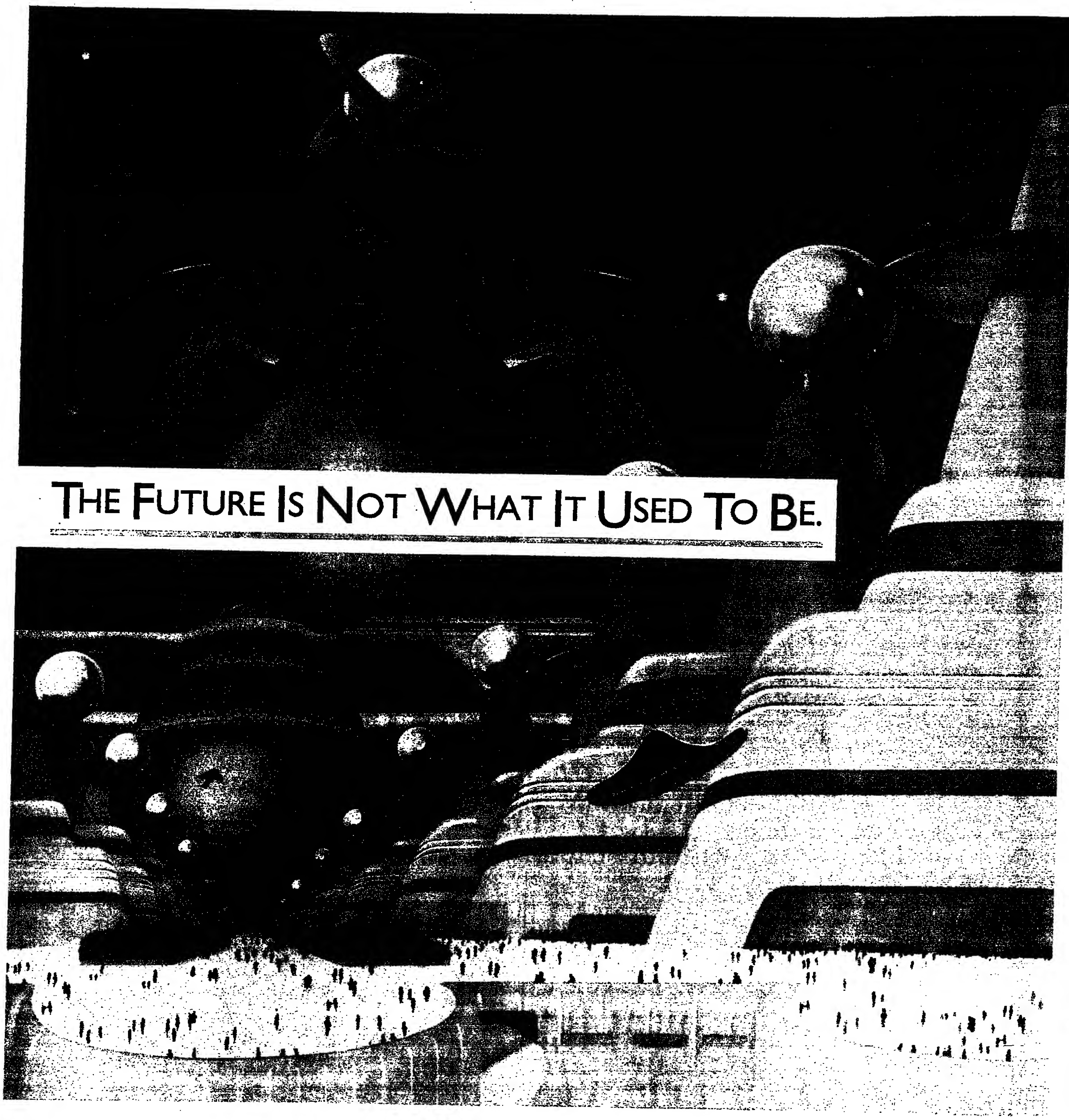

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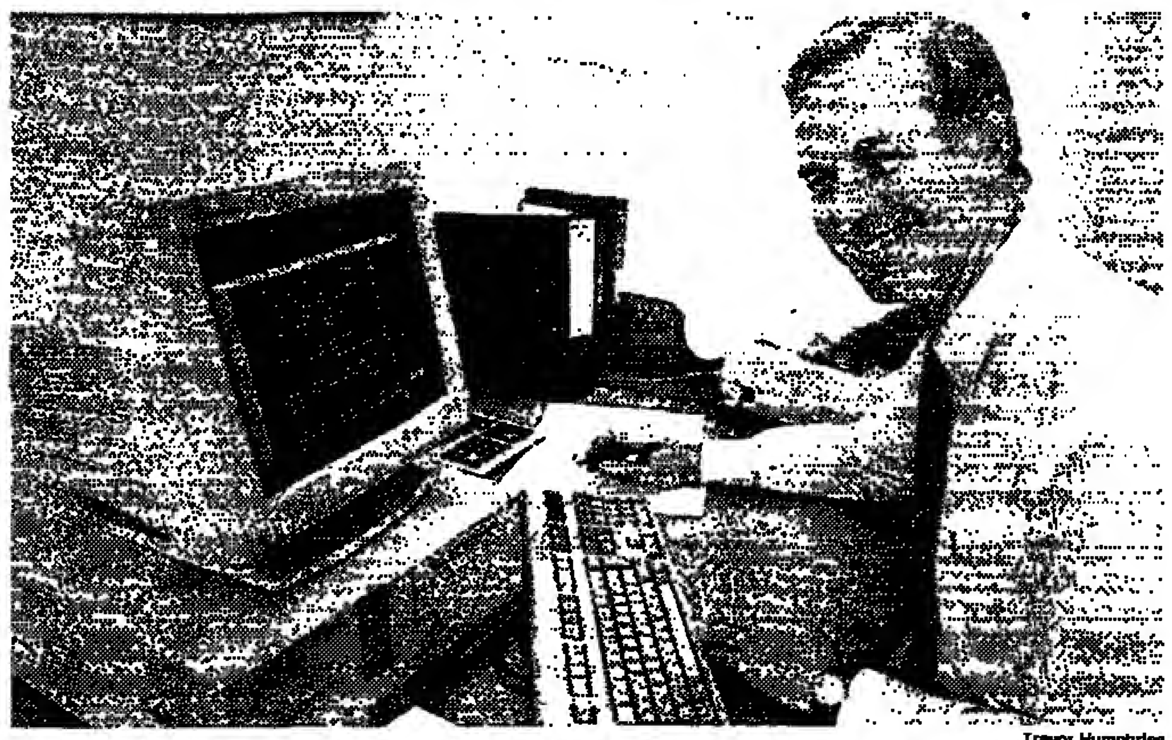
Charles Batchelor reports on executives forced to change careers



Chris Goodban: as a computer specialist, he has a clearly defined market for his skills

Chris Goodban lost his job as a commercial manager with Cadbury Schweppes following an internal reorganisation but found short-term employment with a small interior decorating company. After a while Goodban started to feel "underemployed, overpaid and vulnerable" so, at the age of 47, he set up as a management consultant, specialising in computers and management information systems.

Peter Holland had always thought of working through to retirement until, at 50, he noticed that few senior executives in his company, an international mining group, stayed beyond the age of 56. After working on an 18-month project for a packaging distributor, Holland also became a management consultant.

The two men are part of a small army of senior executives who have been forced to modify their career plans as large companies have slimmed their workforces over the past decade. They have been joined by people like accountants who also face fewer opportunities in their chosen profession. Some move into other forms of paid employment but a growing number are opting for the life of the independent consultant.

A recent survey by GMS Consultancy, which places executives with firms on short-term contracts, showed that 20 per cent of independent consultants had a background in general management, 18 per cent in finance and 14 per cent in sales and marketing. A further 11 per cent had an engineering background, 9 per cent had computer skills while 6 per cent came from a career in personnel.

Charles Russam, managing director of GMS, estimates that the market for senior managers operating as independent consultants is worth £70m-£100m in fee income a year.

"A lot of businesses are understaffed because they have slimmed down during the recession," Russam told a seminar arranged by Chartac, the recruitment division of the Institute of Chartered Accountants (ICA), last month. "When business picks up managing directors won't take on more people straight away because they have just stopped firing them. So they will use independent consultants."

The market for their services may be there but independent consultants struggling to become established face many of the problems common to start-up businesses. In addition, they face specific difficulties which stem from their career background and the nature of consultancy work.

The old suspicion that consultancy is "not a proper job" or is merely a euphemism for being unemployed still remains. Newcomers are advised not to tell prospective clients that they are only filling in time until they find employment, Russam warns.

One of the most significant changes which will occur in the life-style of the new consultant will result from working from home. The domestic partner, used to waving the spouse off on the 8.03 each morning, is suddenly confronted with someone demanding cups of coffee, space and silence in which to work, and extensive use of the home phone.

The scope for marital discord should not be underestimated and the support of both spouse and older children needs to be won. It is also essential to establish a working routine which prevents distractions and also sets limits to the amount of time you spend on the job. "It can be non-stop," warns Peter Bachelor, a GMS director. "If you are not working for clients you are marketing yourself. It will take you over. You must allocate time for yourself."

One of the biggest shocks facing the company executive turned consultant is the need, probably for the first time in his career, to "sell" himself to prospective clients. This may involve telephone calls - though a number of the professional accountancy organisations have yet to draw up guidelines for their members on the "cold calling" issue - mail shots, giving lectures or talks and writing books or articles for the press.

Many consultants start up on their own on the back of a large contract from their previous employer while others make use of business and social contacts. Peter Holland started out with a commitment to 40 days' work a year as a non-executive director of his former employer, added a second smaller contract and signed up a third client for five days' worth of research into the metals business.

Chris Goodban, who says he found the idea of cold calling "terrifying," obtained work from former business contacts. He maintains a list of press cuttings featuring companies which look as though they might need his services. He follows these up when business is slack and also makes use of long-established social contacts made through his involvement in his bridge circle and the local hockey club.

As a computer specialist, Goodban has a clearly defined market for his skills but some would-be consultants are less certain about their special area of expertise. It is, however, essential to specialise and not simply present yourself as a Jack of all trades, says Russam. One established consultant at the seminar had made a speciality of advising companies on managing their pension funds while another helped companies in the agricultural supplies field.

Once the consultant has won a meeting with his prospective client he should then rein back on the self-promotion, advises David Turner, another speaker at the seminar. It is important to be a good listener and demonstrate understanding for the prospective client's problems. "People only buy a consultant they like," says Turner.

When it comes to making a written proposal the consultant should describe the objectives of the project, the methods which will be used, the costs, the benefits which can be expected and the timetable of events.

The terms of reference should be carefully drawn up, says Turner. One executive who began working as a consultant for the company which had previously employed him found that the managing director still treated him as an employee. The managing director assumed he was taking responsibility for the project which, as a consultant, he was not prepared to do.

A crucial aspect of the contract is the fee. A recent survey by GMS of independent consultants providing financial advice showed most earned between £230 and £320 a day. A successful consultant should be able to earn between £40,000 and £50,000, roughly equivalent to his salary in employment, suggests Russam, though incomes reported to GMS ranged from £20,000 (possibly including people who were semi-retired) to £100,000 and above.

Few people quote a fixed rate, however, and most vary their fees according to the client, the difficulty of the project and the length of time involved. The consultant should, for example, charge a higher daily rate for a three-day assignment which requires two days of unchargeable preparation than for a project spread over several months, says Bachelor. "If you get three chargeable days a week for 40 weeks a year you would be doing very well," says Holland.

Marketing yourself, finding clients and charging enough to make a living are all issues which the would-be consultant must address. But there are compensations for going independent. The age discrimination which can affect managers over 40 does not apply in the consultancy field where age can be seen as an advantage.

Up to a point the independent consultant can choose projects which interest him and avoid those which do not. Chris Goodban says he enjoys not being involved in office politics or the problems of staff management. Peter Holland recounts a conversation with a client who said: 'If I had not met you six months ago my company would be in liquidation now.' It is satisfying sending out an invoice and getting a cheque in the mail because I know I have earned it."

Further reading: 101 Ways To Succeed As An Independent Consultant by Timothy Foster. Kogan Page. 92 pages. £5.99. Practical Management Consultancy by Calvert Markham. Accountancy Books (ICA). 230 pages. £22.50.

GMS Consultancy. Tel. 0582 666970. Chartac Recruitment Services. Tel. 071 833 3291.

Angels give a helping hand to small firms

By Charles Batchelor

Private investors could become a much more important source of equity finance for small companies in the UK, according to a new study.* In the US, private investors or "business angels" pump more money into small firms than the venture capital industry.

At present private funds are not fully exploited by small businesses in the UK and the "angels" are unable to find enough good investment opportunities, the study by Colin Mason of Southampton University and Richard Harrison of Ulster University concludes. The researchers spoke to 86 angels.

They call for the creation of a national network of local or regional "marriage bureaux" to bring the two sides together.

The growing awareness of the potential of private investors is reflected in government plans to encourage a nation-wide network of contact points between would-be investors and small firms seeking capital.

The government has asked local Training and Enterprise Councils to play a key role in setting up such a network starting with a two-year pilot scheme in five areas.

Mason and Harrison suggest a six-point plan of action for spotting angels. Business owners should:

- Search locally because most angels are reluctant to invest too far from home. Just over half invest within 50 miles of their home or office and two thirds within 100 miles.
- Look for angels in the business community, especially among successful entrepreneurs and ex-entrepreneurs. Two thirds of private investors had founded one or more businesses.

Thirty five per cent of angels surveyed described themselves as business managers, managing directors or chief executives while a further 35 per cent were business or financial professionals. Other professions such as scientists, engineers, doctors, dentists and teachers provided few investors.

- Look for angels among the well-off rather than among millionaires. Average income of those surveyed was just under £50,000 though relatively few had very high incomes. Forty four per cent earned £25,000 to £49,000 while 16 per cent earned £100,000 or more.

Most were comfortably off but relatively few were extremely wealthy. Twenty seven per cent had a net worth (excluding their main home) of £100,000 to £249,000 while 19 per cent had £1m or more.

- Approach angels through their friends and business associates but also be prepared to contact them directly. Accountants often suggest deals but their ideas rarely translate into an investment: bankers, stockbrokers and lawyers are not seen as a source of contacts. Informal investors also avoid organised referral sources such as business brokers or investment clubs.
- Be aware of the main criteria used to evaluate investments. Angels (like the formal venture capital industry) place great emphasis on the talents of the entrepreneur and management, growth prospects for the business and realistic pricing of the equity.
- Companies seeking larger amounts of capital should target syndicates of angels rather than those investing on their own.

"Our evidence suggests that business angels will invest in many situations where institutional investors will not or will offer a better deal," the researchers state.

In comparison with venture capital funds, informal investors tend to invest in smaller amounts and in younger and technology-oriented companies. They also take a more patient view about realising their investment and usually accept a minority stake.

**The Informal Supply of Venture Capital in the UK. From Urban Policy Research Unit, Department of Geography, University of Southampton, Southampton SO9 5NH. Tel. 0703 592217. £6.50 inc p&p.*

In brief...

■ Britain's chambers of commerce have called on the government to hold formal consultations with groups representing UK businesses on the Uniform Business Rate.

The transfer of responsibility for the business rate from local authorities to the government should not result in the loss of the right to consultation, Ron Taylor, director general of the Association of British Chambers of Commerce, said in a letter to Robert Key, a Department of the Environment minister.

This follows a written joint appeal by the chambers, the CBI, the IOD and a number of small business organisations to Michael Heseltine, environment minister, that there should be no increase in the business rate poundage to be set for 1992/93.

■ A brief summary of the main tax reporting requirements for a company and penalties for non-compliance is provided in a new booklet from accountants Arthur Andersen.

Penalties, particularly those relating to VAT, have been increased substantially and the introduction of the new Pay and File regime from October 1 1993 makes it even more important for companies to understand their obligations, AA suggests. Companies should make sure they have procedures in place before that date to enable them to meet the relevant deadlines.

Tax Compliance: an increasing burden. 12 pages. Free. From Arthur Andersen offices including 1 Surrey Street, London WC2R 2PS. Tel 071 438 3000.

■ Investment by small firms dropped sharply in the first half of 1991 to its lowest level in six years, according to the NatWest Small Business Investment Index.

Investment fell by 39 per cent compared with the last six months of 1990 and was 58 per cent lower than in the first half of 1990. This confirms fears that the slump in small firms' sales had hit new investment plans hard, the bank said.

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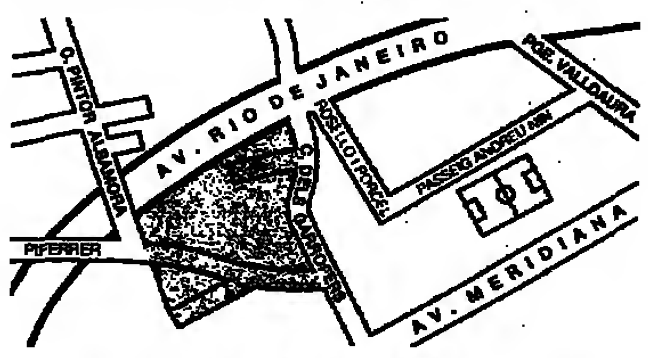
The town hall of Barcelona (Ayuntamiento de Barcelona) is working on decentralizing the city, creating new services centres, modernizing to make of her a better place to live and of this we will all benefit.



New central area Renfe-Meridiana.
Ajuntament de Barcelona, Secretaria Executiva de l'Àmbit d'Urbanisme.
Pça. Lesseps 12, 1ª planta. 08012 BARCELONA, España.

Ajuntament de Barcelona

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- 27 letting bedrooms of which 18 are en suite.
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- Public Free House.

THE CLEARWELL CASTLE
Forest of Dean
- Country house hotel.
- 8.5 acre freehold site.
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- Banqueting facilities.
- Private manager's living accommodation in keep/former stable block.

For further details, please address written enquiries to the Joint Administrative Receivers or Andrew Brannon at the address below.

PO Box 810, Friary Court, 65 Crutched Friars, London EC3N 2NP.
Tel: 071 936 3000. Fax: 071 480 6881.

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Touche Ross

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- Freehold garage and workshop premises 15,000 square feet on 1.6 acre site.
- Freehold office building in Tredegar.
- 40 Plaxton/Duple coaches.
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For further information, please contact M. A. Simpson or A. Mitchell at the address below.

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- Freehold site of approximately 20,000 sq. ft, incorporating bakery, retail outlet and office facilities totalling 12,600 sq. ft.
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For further details please contact *Peter Powell*, The Joint Administrative Receiver or *Adrian Allen* at Stoy Hayward, Foxhall Lodge, Gregory Boulevard, Nottingham NG7 6LH. Tel: 0602 626578. Fax: 0602 691043.

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Including:

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DAY TWO – Injection Moulding Machines:
[illegible]

(Subject to remaining unsold)
On View Tuesday 15th October 1991 [illegible]

Ref: Eric Trotman

Grimley J R Eve
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2 ST PHILIP'S PLACE, BIRMINGHAM B3 2QQ

BUSINESSES FOR SALE

GATHIER INTERNATIONAL LIMITED
(in administrative receivership)

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- Manufacturer of natural and synthetic gut for sports rackets and musical instruments
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- Stock £300,000
- Turnover £950,000
- Large customer base

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- Turnover £950,000
- Well known established customer base

RSL
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- Situated in Sandwich
- Stock £50,000
- Turnover £500,000

For further details please contact:
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20 Old Bailey London EC4M 7BH Tel: 071 489 9000 Fax: 071 489 6295

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0532-457356

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- Product support.
- Applications development.
- Consultancy.

For further information please contact David Lovett or David Duggins at:
Arthur Andersen & Co.
1 Victoria Square
Birmingham B1 1BD.
Tel: 021-233 2101
Fax: 021-643 7647

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Christie & Co. offer for sale separately, on the Instructions of the Joint Administrative Receivers:-

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In both instances please contact Timothy Gooding in the Hotels Department of Christie & Co's Ipswich Office, tel: 0473 256588 or alternatively, Paddy Jeffries in the Corporate and Acquisition Division, London Office, tel: 071-486 4231.

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Hotels & Leisure International

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Ref. H1322/FT

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- Skilled workforce

Interested parties requiring further particulars please contact: Peter Whalley, Joint Administrative Receiver, Cork Gully, 5 Town Quay, Southampton, SO9 1ZG. Tel: (0703) 632772. Fax: (0703) 231628.

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- £440k potential order book
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- 2D and 3D graphics, animation and design
- PSC/multi camera production unit
- multi track audio recording and dubbing

For further information please contact Stephen J Taylor or Beverley Clifton, Cork Gully, Cumberland House, 35 Park Row, Nottingham, NG1 6FY.
Tel: 0602-470658. Fax: 0602-410192.

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It would be helpful if potential investors could reveal thier identities. Alternatively, a brief "No Name" outline of your corporate profile and financial status will suffice. All replies will be received direct by the company's auditors who will be bound by confidentiality if you request this.

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THE LEGAL PROFESSION

The FT proposes to publish this survey on
October 18th 1991

The Financial Times unsurpassed reputation for producing topical authoritative editoral ensures that this survey will be an essential point of reference for the 62,000 businessmen & women in the UK involved in decision making about legal services who read the Weekday FT. If you want to reach this audience call Gavin Bishop on 071 873 4780 or fax 071 873 3064.

Data source: BMRC Businessman Survey 1990

FT SURVEYS

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North West London (Established over 30 years)

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TECHNOLOGY

A clash of views on IT

The job of data processing manager (DPM) is one of the most difficult senior positions in UK firms, yet most believe their work is undervalued and many think they are underpaid.

The DPMs' gloom may be justified. More than half of the directors in their companies lack confidence in the DPM's management abilities.

DPMs, in turn, have a cool view of the directors: "It really annoys me that all board directors are accountants. They would not put me in charge of accounts so they should not put an accountant in charge of information technology," one complained.

This jaded picture of the cultural divide comes from a new survey commissioned by Sequent Computer Systems and carried out by Benchmark Research. Sequent is a US-based company which sells high-powered computers for transaction processing.

The survey tested the gulf between the board and senior data processing management in about 100 large UK companies. Many of the results echo earlier surveys of the conflict: "As far as I'm concerned, DP stands for deep pockets," from a finance director. "The board sometimes suggests specific cost-cutting measures, but they do not usually know what they are saying," from a DPM.

There are some new insights, however, reflecting the penetration of data processing through companies as a result of personal computing. Some 97 per cent of directors think their level of understanding is adequate or very good while almost three quarters of DPMs would like the opportunity of heading a non-DP department. Only 53 per cent of DPMs say that IT is part of their company's strategic planning process.

So IT has a hard path to travel: "Half the board members see DP as an investment and the other half as a necessary evil" said one respondent.

Alan Cane

**Sequent has published a boardroom guide to computing based on the survey at £10.95. Telephone: UK, 0932 859833.*

John Griffiths examines an EC programme aimed at improving safety and traffic flow efficiency

No bounds to Prometheus

Europe's car industry, facing rapidly increasing competitive pressures from Japanese manufacturers, has agreed to launch, by 1994, a number of radical new car technologies.

They are the first fruits of Prometheus, the collaborative research programme set up by the manufacturers, with financial aid from EC governments, in 1986.

The programme's declared goals are to improve safety by 30 per cent and traffic flow efficiency by the year 2010. In terms of safety, success would mean 15,000 fewer deaths annually on EC roads, 450,000 fewer injured and 45,000 fewer permanently incapacitated.

That is the intended benefit to the world at large. The hoped-for benefit to Europe's motor industry is to equip itself with technology sufficient to help ensure that it does not suffer, at the hands of Japanese rivals, the same fate as Prometheus himself. (Having stolen fire from the gods, he wound up chained to a rock with his liver on the lunch menu.)

Both the nearer-term technology, and more adventurous systems not expected to find their way into commercial production until the end of the decade or later, were put on display for the first time last week near Turin by the 18 European car manufacturers, 80 components companies and 124 basic research institutes taking part in Prometheus – an acronym for Programme for European Traffic with Highest Efficiency and Unprecedented Safety.

The near-term technology unveiled included enhanced vision systems, "intelligent" cruise control and automatic route guidance.

Among projects for the medium and longer term are a system allowing drivers to "see" through fog; another to make pedestrians visible at night well beyond headlight range; collision avoidance systems; co-operative driving systems in which cars and trucks "talk" to each other to convey driver intentions, computerised and satellite-based commercial vehicle fleet management systems – and even a "neural network" system which monitors, through sensors, driver behaviour and reactions, using advanced data processing techniques to determine driver alertness.

However, the Turin exhibition represented more than a decision by the industry to unveil what its 300-plus scientists and Ecu 90m (£63m) annual spending specifically dedicated to the project have achieved since it started gathering momentum in earnest four years ago.

Senior industry and transport bureaucrats from the main EC countries were invited to hear Prometheus's leaders call on their respective governments to play their own part in the project, by hammering out pan-European standards for road networks, traffic information systems and other harmonised infrastructures within which the in-vehicle technology might operate.

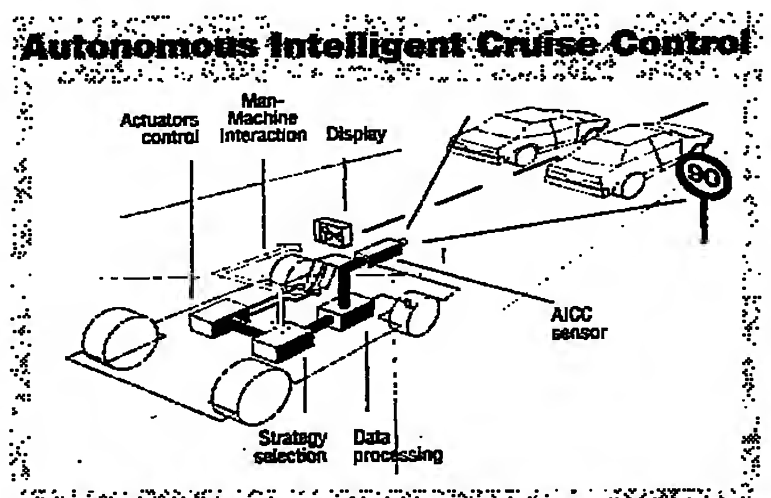
Indirectly, the Turin event also fired a warning shot across the bows of EC governments, and indeed the EC Commission, that significant extra funding will be required from public resources if Prometheus is to fulfil all its promise for the early 21st century.

So far, government departments have provided about Ecu 30m annually. With Prometheus's leaders also formally committing themselves in Turin to continuing the research beyond 1994, and many of the medium and long-term projects approaching the hardware and field trials stage, spending on Prometheus from the mid-1990s onwards is expected to accelerate sharply towards hundreds of millions of Ecus annually.

EC transport ministers, with the progress being made by Prometheus on their agenda for a Council of Ministers meeting in November, face some weighty economic arguments – as well as safety ones – in favour of increasing their support. Prometheus's proponents assert that delays, wasted fuel, unproductive employment and other factors waste Ecu 75bn annually in the Community, representing 15 per cent of total EC transport-related spending.

Such costs were a catalyst for the commercial fleet management programme within Prometheus. Its objectives were defined as improved transport planning and scheduling, increased safety and reliability of commercial vehicles, better utilisation of available cargo space, standardisation of relevant information exchanges in Europe, monitoring dangerous and valuable cargoes and improving emergency reporting procedures.

A demonstration system was set up for Turin in a project involving MAN, the German truck maker; Daimler-Benz; Volvo; Iveco, Fiat's commercial vehicle subsidiary; and RVI, Renault's trucks group. The system uses cellular phone networks, Satcom satellite ground station and satellites to track vehicles, integrate them into route planning and exchange data.



Inevitably, however, it was the more spectacular car-based projects which attracted most media and government officials' attention – not least vision enhancement.

This multi-faceted programme involves Saab and Volvo in collaboration on the use of ultra-violet light to provide increased illumination of night scenes in close proximity to the driver, with Philips, Osram, Hella and French components group Valeo involved in supplying hardware. The approach involves fitment of additional ultra-violet discharge lamps to the car.

Complementary to this are programmes involving the use of "near infra-red" illumination to increase the driver's depth of vision in conditions of low contrast or at night. The system uses a normal halogen low-beam but near infra-red high-beam, and is being developed by Renault, Peugeot and Matra of France, with Thomson as the equipment supplier.

The most spectacular aspect of the programme is installed in a Jaguar, and involves the use of a GEC "Far-Infra-Red" camera located just below the top of the windscreen. The camera uses thermal imaging to provide long-distance pictures of the road and its contents. Even in poorly-lit streets in the rain or fog, pedestrians show up as points of white light up to 400 yards away.

The system uses a television display to project the scene within the dashboard. This is accepted, however, as a poor substitute for a "head-up display" (Hud) which operates with a hologram through the windscreen. A working "Hud" is being developed by Pilkington as its contribution to Prometheus, with applications going considerably beyond vision enhancement.

An integrated "collision avoidance" system, using elements of all the above, promises to be one of the greatest contributions to road safety, at least on motorways and other open roads, of the Prometheus programme.

The various sensing methods – optical, infra-red and radar – are used to detect where the road lies in poor visibility and the location of other objects (vehicles and people as well as stationary objects) that are likely to cross the driver's path. The system assesses what threat these objects could represent and helps the driver to select the appropriate course of action.

The system has the theoretical capability, in an emergency, of taking control from the driver to avoid an accident. But, project scientists acknowledge, it may prove unacceptable to legislators and insurers, as well as drivers.

The cost and complexity involved, however, are enormous, and the full capabilities of such systems are unlikely to be realised until early in the next century.

Much closer to being introduced to the showroom are cars fitted with autonomous intelligent cruise control, and which may be on sale by the mid-1990s. The Jaguar demonstrator car in Turin uses a radar sensor linked to electronically controlled actuators which maintain a set time interval of separation from the vehicle in front.

Putting brakes on 'car abuse'

By John Griffiths

The collective pride of Europe's motor industry at its display of Prometheus technology in Turin last week ran deep. So much so that to get round it a visitor almost needed waders. What a pity, then, that much of the effort is misdirected.

While it is pleasing to think that eventually we might have a "vehicle separation system" on motorways capable of preventing drivers from causing collisions, we should be more concerned about the abuse inflicted by the car on our residential and urban environments, as well as on the general public.

The abuses can be seen at any time of day in any residential or urban street: the local jobbing builder's van careening at 40 mph through the school zone where mothers are dropping off their children; the short-cutting executive in his 5 Series BMW who thinks he has a right to waft at 40mph or even more between lines of parked cars on residential roads, unaware of pedestrians who are given no choice but to cross between parked cars; parents petrified to let children venture out alone; the elderly couple trying to cross a shopping street ill-provided with zebra crossings, cowering before a stream of weaving, uncaring motorists.

In most such cases, the maximum *safe* speed is probably 20mph or less, yet it has long been forgotten that 30mph is a limit, not an entitlement.

But perhaps the most worrying abuse is one committed by the young mother. She has just collected her children from school. She has dutifully made sure they are secure in their seatbelts in the back of the Golf. She would be horrified to be told that she is about to become a menace to other children and pedestrians. Yet as she drives home through her suburban housing estate, the Golf is covering around 60 feet of ground with every second, to her own and everybody else's peril.

The underlying problem is that so capable, smooth and refined has its manufacturer made the car that the 40mph showing on the speedometer feels sedate. Lulled into a false sense of security, she will

TECHNICALLY SPEAKING

never fully understand that her knocking down of a pedestrian was the incompatibility of her own reactions with the dynamic capabilities of her car. She has become the norm, not the exception.

How to prevent pedestrians being put at risk by drivers who have no intention or awareness of recklessness is a challenge which requires top priority from manufacturers and road traffic authorities.

This is irrespective of the astonishing improvement in overall road safety in the UK in recent years. In July, transport secretary Malcolm Rifkind reported the number of deaths on Britain's roads to be at their lowest since 1948, despite a ninefold increase in traffic.

Nevertheless, the UK is among the worst countries in Europe for pedestrian safety. Its 3.2 pedestrian deaths per 100,000 population rank it eighth for safety in the EC and 18th out of 28 countries listed worldwide in the government's own annual review of road casualty statistics.

Governmental tactics for urban and residential road safety consist primarily of emphasising to pedestrians the danger they are in, as well as incessant attempts to "educate" drivers into becoming more responsible.

As the endlessly ineffective appeals to drivers not to "tailgate" on motorways all too clearly illustrate, driver education is already a poor substitute for effective supervision and enforcement of traffic legislation. As vehicles become ever faster and ever smoother, its inadequacies will become ever more apparent.

Surely, between them the police, legislators and scientists of Prometheus can find a better way.

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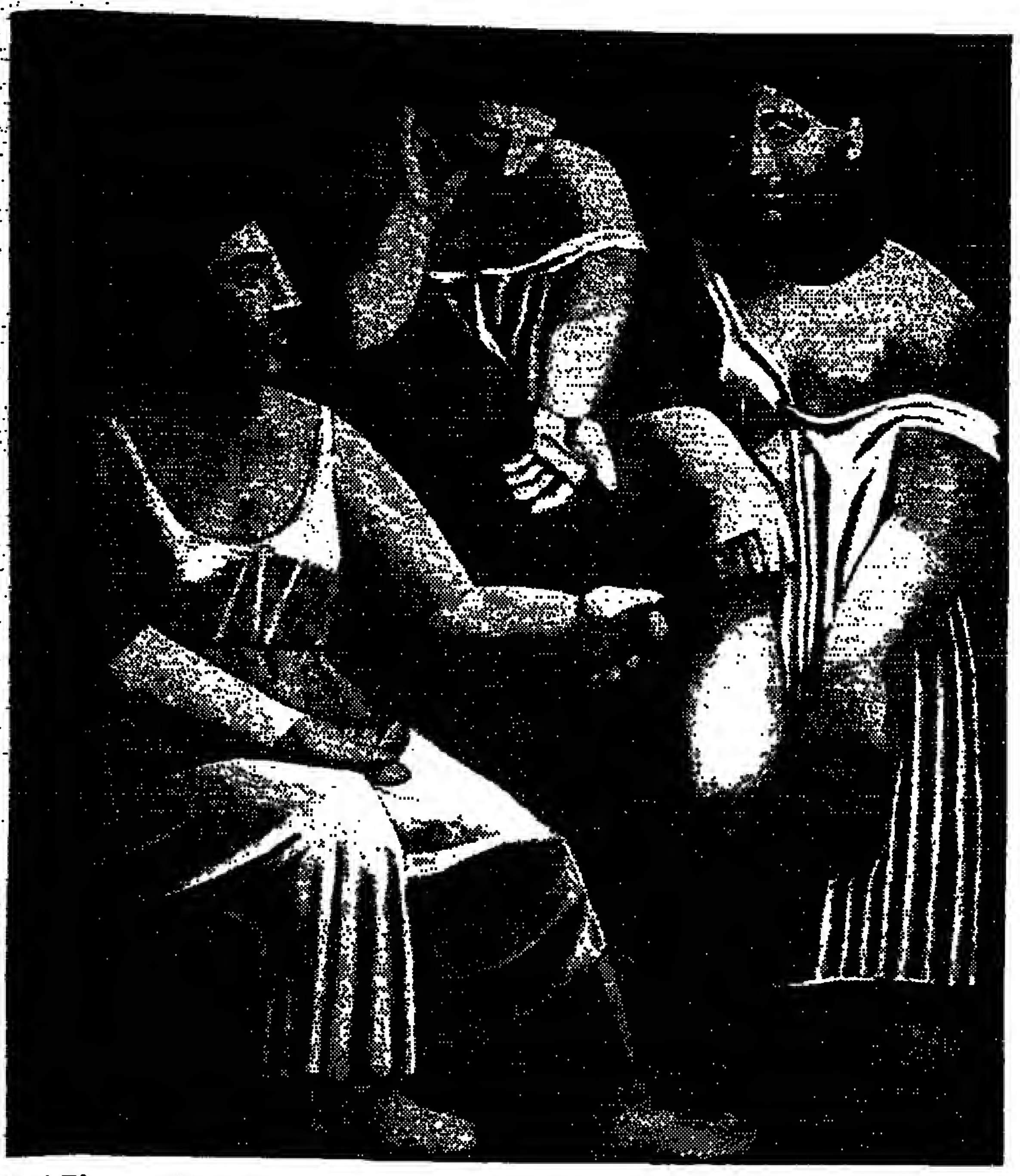

'Not Picasso (Three Women at the Spring, 1921)' by Mike Bidlo, 1987

Pastiche and religious obsessions

William Packer on the work of three young artists currently at the Saatchi gallery

So the year wears on and with the change of season comes the next batch of work from the Saatchi collection (98a Boundary Road NW8, until the spring: open Friday & Saturday or by appointment – 071 624 8299). This time there are no big names, but three comparatively obscure ones, at least in Britain. That they should also be still quite young and yet enjoy already a fashionable success in America might make the heart sink, but their work is strong enough to command particular interest, with enough in common to make a show of perhaps unexpected coherency.

Yet it would be a mistake to make too much of the connections. The two painters, Mike Bidlo and Manuel Ocampo, are concerned with pastiche, with all its contradictions and ambiguities. The photographer, Andres Serrano, is also in some sense *pasticheur*, in his use of the cheap votive imagery of popular Catholic piety. He also shows a series of monumental portraits – if portrait it is that consists only of eyes caught through the slits of a hood – of certain grandees of the Ku-Klux-Klan. In these respects, both religious and fanatic, he is close to Ocampo, whose current preoccupation is with ideas of colonial and religious oppression.

Each of these artists is thus concerned with making art that is self-consciously about Art and the making of Art. And each goes on to strike, or at least infer the striking of attitudes that are variously sociological, economic and political. That each, in his own terms and by current orthodoxy, should clearly be Correct in his thinking, goes without saying.

Bidlo makes full-scale copies of the works of modern masters, the examples here after Picasso, Léger, Warhol, Pollock and Man Ray. Such an exercise presents little in the way of technical difficulty, less if, like Bidlo, you content yourself with the simple, albeit accurate transliteration of the given work, rather than try to achieve its true density and complexity of *facture* – surface, paint, line, touch. These are versions offered to us deadpan, which is both disarming and intriguing.

They raise the obvious questions of value and authenticity. Decoratively convincing at a distance, they lure us into a surface that is flat, bland, uninflected. The "Not Warhol (Campbell's Soup Can 1962)" does offer a certain ironical re-emphasis, though by its nature hardly dramatic. With the "Not Picasso (Guernica)", however, the arbitrary pointlessness of the exercise is inescapable, once the initial effect has been achieved. And if we should criticise Bidlo for our disappointment, the answer can only be the question in return: what did we expect?

Ocampo's copying is rather more free in spirit, pastiche of style and genre rather than of any particular work. Filippino himself, he draws upon the popular colonial tradition of

'Klansman', 1990, by Andres Serrano

devotional painting in the 18th and 19th centuries, so innocently decadent in its corruption of the distant baroque ideal. It is a sophisticated double-take, the stilted imagery, the crude handling, even the physical distressing of the canvases themselves, all skilfully and delicately registered.

Not so innocent, however, perhaps not so sophisticated, is the imagery itself, with its catalogue of secular and spiritual *brutality, ancient and modern*, each mirroring and serving the other. Here are Inquisitors and Klansmen, Nazis and assorted political thugs, monks and soldiers, beasts and devils, tortures, executions and bleeding Christs. The anticlericalism is clearly deeply felt but hardly new. Do we not know that the Church has often been as cruel and rapacious as any state, *that one man's empire is another's prison*, that altogether man is vile? Ocampo might well ponder that while it might make him fashionably acceptable, it is not his subject that makes his work interesting, or him an artist.

Andres Serrano's large colour photographs are immediately impressive and yet, despite their subjects, oddly seductive. Can it be simply that the pervasive presence of similarly highly-wrought images on every hoarding, in every magazine, drains even the strongest image of authority? And the contrary doubt creeps in, that such images as these are impressive only by virtue of their size and the slickness of their presentation. Quite what would they lose for being a fraction of that size and in black and white?

Then there are the images themselves. These Klansmen are sinister indeed, but a hooded head is never less than intriguing and mysterious, and it is only the knowledge we bring with us of what the Klan is that makes these especially sinister. The frisson, such as it is, is easy to achieve and quite gratuitous. So too with the religious images, kitsch and conventional Christs, Madonnas, Disciples at the Last Supper, all immersed in variously coloured liquid, softly lit and out of focus.

As such we would happily *take them or leave them*. But once told these are baths of blood and urine, we sense we are in the presence of the higher pretension. In Serrano we have one who would be one of the great religious thinkers of the age. "Filling the container with actual blood, rather than a synthetic substance", runs the unblinking exegesis, "is an usually literal evocation of Christ's martyrdom. It reminds one of the Church of Rome's insistence that believers accept the transubstantiation as a literal translation of the bread and wine of the Eucharist into the body and blood of Christ. Thousands of Christians have chosen to die rather than embrace what they saw as a symbolic form of cannibalism. 'Blood Cross' can be seen as a monument to theological intransigence and the persecutions carried out in its name". Do we laugh or cry?

LSO Debussy and Czech Dvořák

BARBICAN HALL

Michael Tilson Thomas and the London Symphony Orchestra gave on Sunday an account of the music from Debussy's *Martyrdom of St Sebastian* that immediately placed itself among the great events of the London concert year. It was an exceptionally secure presentation, confidently prepared, and numbering among its successes the performances of the LSO choir (who had been schooled in French vowels notably well), the soloists – Sylvia McNair (in exquisitely limpid, lightly floated voice), Ann Murray, and the remarkable young French contralto Nathalie Stutzmann – and Leslie Caron (a brilliant choice, at once poetically fragile and commanding) as speaker.

More important, it revealed – even more than an impressive account of *Jeux* had done earlier in the evening – the conductor's deep sympathy with late Debussy. What an astonishing work this remains: the original theatrical collaboration (1911) between the composer, the playwright D'Annunzio and the dancer Ida Rubinstein on a theatrical *mystère* (as they termed it) may have produced a strange hybrid of spoken dialogue, song, spectacle and religious pantomime impossible to revive effectively today; but the concert-hall solution, in which the speeches of the saint are excerpted and the instrumental and vocal numbers given in full, can afford a peculiarly uplifting experience, for it at least provides an intelligible context for the aura of rarefied beauty with which the musical portions are irradiated.

The flesh of D'Annunzio's libretto may be soft and squashy, but the bone structure of the music is marvellously firm. Indeed, in *Le Martyre* the sensuous and the ascetic in Debussy's creative personality were reconciled and harmonised with unrepeatable refinement. Tilson Thomas evidently responds with equal sensitivity and understanding to both aspects. He may not layer the spare strands of music in the scenes of martyrdom with the immaculately cool detachment achieved by Boulez in *his* memorable London performances; but on Sunday there was something wonderfully fresh, free and precise about the handling of each episode. The playing and singing never failed to set the scene: this was concert-hall *drama at once passionate and* chaste, and distilled to a rare potency.

*

Earlier in the week, the Czech Philharmonic returned to London to give three Barbican concerts devoted entirely to Dvořák. This most beloved of orchestras is not a crack band of precision-tooled virtuosos but an ensemble of music-makers. Hearing them again was a tonic – one's belief in the life-enhancing properties of orchestral concert-giving could hardly fail to be restored thereby.

The conductor of Friday's programme, last of the three, was not Jiří Bělohlávek (currently the orchestra's chief) but Libor Pešek, admired musical director of the Royal Liverpool Philharmonic. Pešek certainly knows how to shine a *sympathetic light on the native* characteristics of the Czech Philharmonic – robust, warm strings; euphonious but not too smoothly blended brass and wind; ample phrasing in all departments.

The Overture *In Nature's Realm* and Seventh Symphony seemed to play themselves; the qualities of D-minor dramatic potency and intensity in the latter were left to look after themselves, but what a joy to hear the language of the music spoken with unforced idiomatic accents. In the violin concerto the soloist was Miriam Fried, not always impeccable in fast flourishes but deeply touching in slow-movement song.

Max Loppert

Merce Cunningham and Company

THEATRE DE LA VILLE, PARIS

Time, you often hear, is the great test of art. But that is too timid. Some masterworks don't *survive*. Paintings are destroyed, buildings bombed, books burnt. And dances, above all, vanish. You have to take in what you can now, for in ten or 40 years' time some of it will be gone.

There is no substitute for watching the works of a choreographer while he himself is supervising them. Some ballets will survive, will fascinate on different levels, and will even gain stature. But several of the levels they once had will almost certainly fade.

This is why I catch up with Merce Cunningham's work as often as I can. "He's all the avant-garde we've got left," I remember an American dance-lover saying at the end of the conservative 1980s. But he's also a classicist, a modernist, a dramatist, an abstract *expressionist and more; and I value* him most because his work takes me back to basics. See, for example, *Neighbors*.

Cunningham has long maintained that it is enough for dance to be its own subject-matter, and he seldom lets people know if a work has a specific subject-matter in his mind. In the case of *Neighbors*, however, he said to a colleague "It's about three couples – probably from the suburbs." The colleague said "Is that all?" Cunningham replied "Isn't that enough?" I love this story, because *Neighbors* shows you that what would be a prosaic, mundane and unsurprising little subject to most artists is for Cunningham a whole world of psychological subtlety, human variety and brilliant detail.

One of the most famous facts *about Cunningham is that he* broke from Martha Graham in 1945 because he did not care for the way she was pushing dance into psychodrama. But Cunningham is in fact a very fine psychologist. He sees that there is more to dance, and life, than charting the psyche; but he has, on occasion, explored the stranger reaches of the mind further than almost any other dance-maker.

How wonderful the way here he choreographs oddities or eccentricities of movement and yet makes them not absurd but thrilling. He shows too how a couple may be more peculiar in private than in public, and how touchingly or surprisingly one person may influence others. The differences between men and women, the little private bond between people, register acutely. The mood of *Neighbors* is now forthright, now soft, now jocose.

People don't talk much of this aspect of Cunningham because he doesn't. You could cherish *Neighbors* solely the way he has encouraged people to see his work, as pure dance. It has great vigour and a very broad range of dynamics. It seems to contain every jump in *the book; and not only half the* turns that are in the book but also several that aren't. And yet it all knits into a piece.

No less than four of the six works Cunningham & Co. showed in Paris this September were premieres. Usually I prefer those Cunningham works which are discernibly unified in style, but *Beach Birds*, which is certainly that, I found thin.

The two other new works, by contrast, are diffuse but chock-a-bloc with extraordinary material. Both *Loosestrife* and *Trackers* are large ensembles that are full of smaller group dances and, in particular, solos. *Loosestrife* has one amazing moment when the young Jennifer Weaver comes bounding in at the back from the wings; two *grand jetés*; then *bang! she stops dead and rock*-solid on one leg, the other leg stretched up high in extreme *attitude penchée*, her head and torso bent low. Everyone else onstage also freezes, and, with her holding in this position, stillness reigns for a long while. I haven't seen a more exciting sequence of dance in many months.

Cunningham made *Trackers* with the aid of a computer at Simon Frazier University, Vancouver. Cunningham's sensibility is as attuned to computer methods as it is to tossing a coin, the I-Ching, film, video and all the methods he has used in dance-making over the years. The best news about *Trackers* is that the computer has helped Cunningham to create a recognisably Cunningham work. Some of its solos are simultaneous. Where to look when Helen Barrow is executing an absorbingly slow, strange adagio on one side of the stage and Jennifer Weaver is taking off in fast, novel turning jumps on the other?

In one passage, Carol Teitelbaum remains on one leg, holding one position, then another, and another, with such powerful intent that she projects not *just a physical feat but, again,* a psychological state of wonderfully weird fixation. In *Trackers* she exists, it seems, out on the outer limits of the mind; and her brooding intensity is phenomenal.

The Paris repertory also included *Exchange* (1978), an elaborate masterpiece of structure being revived after a 10-year absence, and *Native Green* (1985), which has never looked better. In *Exchange* Alan Good now dances the leading role, which Cunningham originally made for himself (as London saw in 1981). This is the most important reconstitution of a Cunningham role I have seen. Many of Cunningham's own roles seem Shakespearian (Prospero, Lear, Jacques) and Good made me see how this role, like Richard II or the Duke in *Measure for Measure*, becomes both outsider and insider, both ruler and abdicating witness. And he brings it a heroic beauty and an inner lyricism that are his own, and quite new.

Alastair Macaulay

OBITUARY

Miles Davis

Miles Davis, the jazz trumpeter, died in hospital of pneumonia on Saturday, following a lifetime of poor health exacerbated by drug addiction. He was 65. Davis was arguably the most consistently influential figure in jazz since he first blew cool, aged 19, with Charlie Parker in 1945.

Miles Dewey Davis III was born in Alton, Illinois, into a middle-class family. He went to the Juillard School of Music in New York, but was soon seduced by clubs, the sounds of bebop and Charlie Parker in particular. By the end of the 1940s he was precociously leading his own nine-piece band and formulating the detached but supple sound which would be his abiding hallmark for the coming 40 years, even into his jazz-rock fusion period.

After a period of relative inactivity in the early '50s, Davis went into the creative jet-stream in 1955 which would carry him through to the 1970s and breakdown. He formed the classic quintet of John Coltrane, Red Garland, Paul Chambers and Philly Joe Jones, followed by collaboration with Gil Evans and his sublime orchestral arrangements. "I don't play that way any more", he would insist subsequently. Ironically, he did, at his last major appearance, in Montreux, this summer.

After his ground-breaking work with Evans, Davis formed a new quintet which brought Herbie Hancock and Wayne Shorter to prominence and initiated a new way with small group improvisation, carrying jazz into the mid-1960s. In a frenzy of activity towards the end of that decade, he changed direction again and virtually invented jazz-rock fusion. In the middle of this musical ferment, he was kicking a heroin addiction, picked up alongside other jazz musicians as a hip habit, and sustaining a cocaine dependency.

In 1975, Davis finally conked out, both sick and tired, and stayed out of action until 1980, when he returned looking rattled but renewed creatively and armed with more electronics and tougher rock lines.

A musician whose arrogant personality was at odds with the emotional depth and breadth of his work, Davis, sick with diabetes, signed off his recent autobiography saying he didn't have time to worry about death. "The urgency to play and create music today is worse than when I started. It's more intense. It's like a curse."

Garry Booth

Miles Davis

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

AMSTERDAM

Concertgebouw. 20.15 Cho-Liang Lin, accompanied by Michael Dussek, plays violin sonatas by Ravel, Fauré and Franck. Tomorrow 12.30: lunch concert with Riccardo Chailly and the Royal Concertgebouw Orchestra. Tomorrow, Thurs and Fri at 20.15: Chailly conducts Beethoven and Mahler (6718 345)

Muziektheater 20.00 Final performance of Richard Jones' production of Mazeppa, conducted by Hartmut Haenchen. Fri: Ilbarbiere di Siviglia staged by Dario Fo and conducted by Alberto Zedda, runs till Oct 25 (6255 455/ credit card bookings 6211 211)

BERLIN

Schauspielhaus 20.00 Jane Glover *conducts the* London Mozart Players in Mozart's Haffner and Paris symphonies, plus Vaughan Williams' Oboe Concerto with Gordon Hunt. Tomorrow: Mainz Cathedral Choir (East Berlin 2272 261)

Philharmonie Kammermusiksaal 20.00 Thomas Zehetmair is violin soloist with the Ensemble Oriol, in a programme including Britten's Variations on a Theme of Frank Bridge and Mozart's Serenata Notturna. *Tomorrow, Thurs, Fri,* Sat: Hans Werner Henze conducts the Berlin Philharmonic Orchestra (West Berlin 2614 383)

Deutsche Oper 19.30 Galina Kalinina sings Tosca. Tomorrow: Die Zauberflöte (West Berlin 3410 249)

CHICAGO

Lyric Opera 19.30 Samuel Barber's Antony and Cleopatra: Richard Buckley conducts Elijah Moshinsky's new production with Catherine Malfitano and Richard Cowan in the title roles, and Jacque Trussel as Caesar, also Sat matinee. Fri: Boito's Mefistofele (332 2244)

FRANKFURT

MUSIC

Alte Oper 20.30 Bach and Messiaen cycle. Tonight: *Patricia von* Blumroder and Ifor James give *a recital* of music for piano and horn. The cycle continues each evening this week till Sat, covering a wide range of piano and chamber music (1340 400). The Frankfurt Opera season opens on Sun with William Forsythe's ballet Impressing the Czar. The first opera production is La traviata, first night Oct 11 (236061)

THEATRE

This week's repertory at the Bockenheimer Depot consists of Iphigenie auf Tauris, daily from tomorrow till Sun, in a two-hour version of Goethe's play directed by Herbert Kreppel (2123 7444). The English Theater Kaiserstrasse is showing Somerset Maugham's play The Constant Wife, directed by Martin Harvey, every evening at 20.00 except Mon (242 3160)

GENEVA

Victoria Hall 20.30 Armin Jordan conducts the Orchestre de la Suisse Romande in Schubert's Overture in the Italian style, extracts from Prokofiev's Romeo and Juliet, and Beethoven's Fourth Piano Concerto with soloist Radu Lupu. Repeated tomorrow in Geneva and on Thurs in Lausanne (292511)

LONDON

Covent Garden 19.30 Sian Edwards conducts Nuria Espert's production of Rigoletto, with a cast led by Matteo Manuguerra, Franco Farina and Judith Howarth. The only other Royal Opera performance this week is Das Rheingold on Sat (071-240 1066)

Coliseum 19.30 Guido *Ajmone-Marsan conducts* Jean-Claude Auvray's production of La boheme, with Vivian Tierney, Lesley Garrett, Joseph Evans and Alan Opie, also Fri. Tomorrow and Sat: The Mikado. Thurs: Billy Budd (071-836 3161)

Barbican 19.15 Gala concert in aid of cancer relief, with Richard Stilgoe, Peter Skellern and the City of London Sinfonia conducted by Richard Hickox. Tomorrow: Jeffrey Tate conducts *the* ECO. Thurs: Jesus Christ Superstar (071-638 8891)

NEW YORK

DANCE

City Center 19.00 San Francisco Ballet opens its week-long New York season with a triple bill including William Forsythe's New Sleep and Helgi Tomasson's *Handel Celebration*, repeated on Sun. The programme tomorrow and Sat includes Tomasson's production of Sleeping Beauty Act III and Balanchine's Ballo Della Regina. Thurs and Fri: Tomasson's Con Brio and David Bintley's The Sons of Horus, music by Peter McGowan (581 7907)

MUSIC

Avery Fisher Hall 19.30 Kurt Masur conducts the New York Philharmonic Orchestra in Bach's Wedding Cantata and Grieg's complete incidental music to Peer Gynt, with the soprano Edith Wiens and the New York Choral Artists. Thurs, Fri, Sat and next Tues: Yuri Temirkanov conducts Prokofiev, Rakhmaninov and Rimsky-Korsakov (875 5030)

Metropolitan Opera 20.00 Thomas Fulton conducts Un ballo in maschera with a cast led by Leona Mitchell, Sumi Jo, Stefania *Tozcyska, Peter Dvorsky and Juan* Pons, also Sat matinee. Tomorrow: Idomeneo (362 6000)

New York State Theater 20.00 Mark Gibson conducts David Pfeiffer's production of Les Pêcheurs de Perles, with a cast led by Gail , Dobish as Leila, also Sun matinee. Tomorrow and Sat: Korngold's Die tote Stadt. Fri: Madama Butterfly. Sat matinee: The Most Happy Fella (870 5570)

PARIS

DANCE

Palais Garnier 19.30 First night of the Paris Opéra Ballet season: Giselle in a production by Patrice Bart and Genia Polyakov. Repeated on Thurs, Fri, Sat and Sun (4017 3535)

Théâtre de la Ville 20.30 Face Nord, a new work for eight dancers and *four musicians by Mathilde* Monnier, with music by Louis Sclavis. Runs till Sat (4274 2277)

MUSIC

Opéra Comique 20.30 Heinz Holliger conducts the Ensemble Modern and London Voices in Holliger's Scardanelli Cycle, with Aurèle Nicolet flute soloist. Thurs at Théâtre des Champs-Elysées: Holliger plays Bruno Maderna's Oboe Concerto No 3. Sat at Grand Auditorium of Radio France: Dutch Television's *Maderna* film, followed by an orchestral concert featuring three Maderna works. These are the opening events in a series devoted to the music of Maderna and Holliger over the next two months, organised by the Festival d'Automne (4296 9694)

THEATRE

Odeon Théâtre de l'Europe The main drama event in the Festival d'Automne is Patrice Chéreau's *production of Le Temps et La* Chambre, a Botho Strauss play translated by Michel Vinaver, opening on Fri and running till Dec 15 (4325 7032)

Comédie Française This week's repertory includes La Tragédie du Roi Christophe, Aime Césaire's new play about colonial Haiti (tonight and Sat), and Marivaux's comedy La Fausse Suivante (tomorrow). There are no *performances on Thurs and Fri* (4015 0015)

Atelier Shakespeare's Richard II is directed by Yves Gasc, with a cast led by Laurent Terzieff. Runs till Oct 27 (1 place Charles-Dullin, 18e. 4606 4924)

Bouffes Parisiens Ornifle, Anouilh's bitter-sweet comedy about flaunting conventions, is directed by Patrice Leconte with Jean-Claude Dreyfus in the title role. Tues to Sat, with *matinee performances on Sat and* Sun (4 rue Montsigny, 2e. 4296 6024)

A 24-hour recorded telephone guide to Paris entertainments is available in English by dialling 4720 8898

WASHINGTON

MUSIC

Kennedy Center Concert Hall 19.00 Mstislav Rostropovich conducts the *National* Symphony Orchestra in Rossini's overture to La gazza ladra, Dutilleux's Timbres espace mouvement and Beethoven's Fourth Piano Concerto, with Eugene Istomin. Thurs, Fri, Sat: Rostropovich conducts Shostakovich's Eighth Symphony and Schumann's Cello Concerto, with Wendy Warner. Sun: Murray Perahia plays Mozart piano concertos with the Orpheus *Chamber Orchestra* (467 4600)

THEATRE

Tru: Robert Morse recreates his Tony award-winning performance in this one-man *tour de force* about the life of the American author Truman Capote, revealed in contrasting modes of subtle and hilarious characterisation. Written and directed by Jay Presson Allen. Daily except Mon till Oct 20 (Eisenhower Theater, 416 4600)

The Time of Your Life: *William* Saroyan's Pulitzer Prize-winning play directed by Liviu Ciulei. Set in San Francisco in 1939, this is a timeless story with an eclectic assortment of colourful characters and a humanist message. Daily except Mon till Oct 27 (Arena Stage, 6th and Maine S.W., 488 3300)

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0730-0800 Moneyline
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1330-1400 Business Day
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2300-2330 World Business Today
0100-0130 Moneyline

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2130-2200 (Wed) FT Business Weekly - the latest round-up of business news with James Bellini and Debbie Middleton.
2130-2200 (Thurs) Talking Heads

Sky News
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1130, 1730, 2130, 0430, 0530 (Thurs) FT Business Weekly

SATURDAY

CNN
0730-0800 Moneyline
0900-0930 World Business This Week - a joint FT/CNN production
1540-1610 Moneyweek
1900-1930 World Business This Week
2110-2140 Your Money

SUNDAY

Superchannel
1800-1830 FT Business Weekly

Sky News
1330, 1630, 2030, 0030, 0230 FT Business Weekly

CNN
0710-0740 Moneyweek
1340-1400 Inside business
1540-1610 Your Money
1800-1830 World Business This Week
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Let the Soviet flowers bloom

HYPERINFLATION wiped out the savings of the German middle class in the 1920s and helped to pave the way for National Socialism in the 1930s. The same ominous whir of the printing presses is now to be heard in Moscow. Russian leaders, such as Mr Anatoly Sobchak, the Mayor of St Petersburg, are warning that without western investment and help a similar fate could befall Russia – and the other successor states to the Soviet Union.

It is a disturbing prospect. There is a danger that inflation will make a hard life impossible for the over 70m citizens below the poverty line, who used to scrape by on low rents and cheap bread and energy.

Politically, there is a risk that the collapse of the Soviet state will lead to lawlessness, anarchy, ungovernability. This could well lead to calls for a strong hand and a resurgence of Russian chauvinism, as Russian minorities clamour for a protection that they received automatically as Soviet citizens in a country with meaningless internal borders.

Yet in order to be destroyed, private wealth first has to exist. The diligent, enterprising, property-owning German middle class had it. There is no such class in the former Soviet Union – nor in Soviet-controlled eastern Europe. The nearest equivalent was the communist *nomenklatura*. But it derived its power and wealth not from private property but from loyalty to the party and state which could give privilege and take it away.

This is a vital difference. It is as difficult to create democracy without a strong middle class as it is to create capitalism without capital.

Cataclysmic blow

In effect, the cataclysmic blow against the Soviet "middle class" has already been struck by the August coup, whose failure shattered the Soviet empire, the Communist party, the security and other central establishments that sustained the old *nomenklatura*. For the rest, the coup's failure was a liberating event. It smashed what was left of the old rigid mould and leaves society and the economy ripe for reconstruction along similar lines to the rest of the "normal" world.

There is a danger that the old structures will be reconstituted and duplicated in a republican or similar guise. But there is also a good chance that more flexible and democratic societies will emerge out of the wreckage of the old system. The process will inevitably be chaotic and at times violent. But some positive aspects are already apparent.

Honoured promise

Mr Yeltsin, the elected president of a renascent Russia, has honoured his pre-coup promise to remove the burden of empire and cut the military down to size. Aid to Afghanistan, Cuba and others has been axed. The arms industry and the pharaonic space programme are to be drastically reduced. As US President George Bush made clear this weekend there are no longer serious political obstacles to east-west co-operation.

The end of decades of military overspending means raw materials, energy and labour will be freed for export or for use in a domestic economy run not by bureaucrats but by entrepreneurs – and by increasingly independent farmers. Initially, much of the new business class will be hardly distinguishable from spivs or mafiosi.

The day of the carpet-bagger looms, this time in the form of the business school graduate and the secondary banker. There is certainly a role to be played by the IMF, the World Bank and other institutions, and especially by the oil corporations and other foreign companies willing not just to put up equity but also the know-how and manpower to train and build local management.

But the real need now is to allow those who know how to make money to emerge from obscurity, and to go for it. They will be the middle class of the future. Significantly, it was precisely such people – the *biznismen* and *ko-operators* – who flocked immediately to Mr Yeltsin's banner from the outset of the coup. Russia needs more of them; so do the other republics now preparing to do their own thing. The new players must be allowed to learn from their own mistakes.

Scotching a tax anomaly

MR Norman Lamont's well-known scepticism towards special pleading by business is normally a commendable quality in a chancellor of the exchequer. But the delegation of disgruntled scotch whisky distillers whom Mr Lamont is due to receive today has a much better case to make than most industry lobbies. While some of its specific arguments are debatable, the circumstances which prompted them raise awkward questions about the conduct of government policy.

The distillers are up in arms about a European Community proposal to set a minimum rate of duty for spirits, as part of plans to align national excise taxes more closely after the single market comes into being at the end of next year. The proposal would substantially increase the modest rates of duty prevailing in several southern EC markets, where scotch sales are currently growing fast, while setting a much lower minimum rate for beer and none at all for wine.

The distillers complain that they risk not only an immediate loss of existing scotch sales but permanent fiscal discrimination in favour of other alcoholic drinks. In the short term, they want Mr Lamont to insist that the EC prevent any widening of differentials between duties on spirits and other beverages. Longer-term, they are seeking a system which would ensure that all drinks were taxed equally on the basis of their alcoholic content, while leaving EC governments to set levels of duty as they chose.

Ambiguous evidence

The industry may protest too much. The evidence on how far price encourages consumers to substitute one type of drink for another is ambiguous. In Japan, where more expensive scotches have long found a ready market, liberalisation of spirits imports has conspicuously failed so far to increase the popularity of cheaper brands. Furthermore, whisky producers have been highly adept in recent years at using premium pricing to extract higher margins from stagnant export volumes.

Nonetheless, they have good reason to ask whether the results achieved in Brussels to date are what Mr Lamont intended. Extraordinarily, he entered the negotiations on the EC proposals last July apparently unbriefed by his advisers on the implications for one of Britain's biggest export industries. Only 11th-hour intervention by the distillers seems to have prevented him from nodding the package through. Such nonchalance hands ammunition to critics, in industry as well as in the Labour party, who accuse the government of indifference towards the legitimate interests of business.

Political expediency

Had Mr Lamont thought the issues through more carefully, he might also have concluded that the EC plans are a poor basis on which to secure the opening of internal frontiers. There may possibly be a case, on health grounds, for perpetuating wide differentials between duties on different types of drinks. If so, it has not been made during the negotiations in Brussels, which have been shaped almost entirely by political expediency. The result is a proposed tax structure which lacks any coherent economic rationale and threatens to entrench distortions long after 1992.

In theory, this constitutes a powerful case for rethinking the entire EC approach. In practice, Mr Lamont's scope for arguing it looks circumscribed. First, because he has already accepted the proposed minima for beer and wine duties. Secondly, because, measured on the alcohol content basis retained by the EC, his government imposes almost double the rate of duty on spirits as on wine and beer and widened the differential in the last Budget. The persistence of such anomalies is hardly calculated to ensure a sympathetic hearing in Brussels for pleas in favour of the virtues of greater fiscal neutrality.

In the event, he may be hard put to avoid a decision between vetoing a package of which he has already approved substantial parts, or of going along with a set of flawed proposals which are weighted against Britain's economic interests. It is an unenviable choice, but one which is largely of his own making.

Robert Rice examines the pressures facing leading City law firms as they struggle to expand during recession

Ups and downs of legal life

The accusation that lawyers are the only people making any money out of the current recession in the UK has been made by several beleaguered businessmen recently. Their perception is that while companies try hard to rein in costs, commercial lawyers continue to charge up to £300 an hour.

This is both unfair and untrue. The legal profession has not escaped the recession unscathed. There have been some well-publicised victims, particularly among those firms heavily dependent on commercial property and development work.

Only the top law firms have maintained acceptable growth levels of about 11 per cent. They have been able to compensate for the decline since the late 1980s in corporate finance and mergers and acquisitions work, and the sharp fall in property business, with an increase in insolvency cases, corporate reconstruction and commercial litigation.

But even within the biggest 10 law firms, ranked by the number of lawyers, some have fared less well than others. A gap has opened up between the top six in the accompanying poll of polls and the rest.

This leading group, characterised by their size, their expertise across a broad range of specialist areas of law and their international work are set to change the face of the legal profession in the UK and across Europe. As they expand and tighten their grip on international legal work, they will force smaller competitors to rethink their business strategy.

The top six firms are mooted to have gross revenues equivalent to between £900,000 and £1m per partner. Senior equity partners in these firms are said to "draw" between £300,000 and £400,000 in salary a year with individual lawyers earning more.

These sums do not represent partners' take-home pay, however. Part of their earnings are ploughed back into the business and invested in recruitment, training, technology and overseas expansion. Gross revenues, while a poor indicator of profitability, are nevertheless the only figures that can be reliably estimated. Profits per partner figures, a more reliable measure of a firm's overall financial performance, can only be guessed at.

The Legal 500, a client's guide to the 500 biggest law firms in England and Wales, has for the first time, in its fourth year of publication, begun to rank firms in different areas of legal work. It has been used by Hodgart Temporal, the management consultancy firm, to lend weight to the thesis that a group of "super" law firms is emerging in the UK, and that the current state of the legal profession mirrors that of accountancy during the early 1980s.

In the early part of the decade all the top 40 accountancy firms offered a full range of services. However, the failure to develop sufficient strength in depth in key specialist areas, together with the problem of weak international networks, pushed some of the Big Eight accountancy practices to the bottom of the top 10 league. To keep up, firms such as Deloittes, Arthur Young and Touche Ross entered into mergers with bigger competitors, and found themselves the weaker partners.

Hodgart took the top 40 law firms by size and split them into four groups of 10. It then looked at the number of times each firm was recommended in 20 subject areas in the Legal 500 – ranging from company/commercial work to insolvency and Eurobonds. Hodgart found that the first group, the 10 largest firms, were recommended by the Legal 500 in an average of 14 practice areas and received an average of seven top three rankings. The second group of 10 averaged nine recommendations with an average of two top three rankings.

The initial conclusion is that size is becoming an increasingly important factor in attracting business. With all the top 40 firms largely competing for the same business, and offering a full range of commercial law services, larger clients are attracted to larger law firms because they are perceived to have greater range and depth. Smaller firms are picking up the smaller clients and the medium-sized firms are being squeezed.

If this trend continues, medium-sized law firms are going to find it difficult to attract business – unless they can, like Ashurst Morris Crisp, with its specialist City practice, show expertise in a few niche areas.

Hodgart found that in the first group of law firms, some appeared to be pulling away from the others. They were being recommended across a wider range of services. According to the Legal 500 data, this gap stops with the sixth-largest law firm. None of the firms in the top six by size, Clifford Chance (1,122 fee earners), Linklaters & Paines (692), Lovell White Durrant (595), Freshfields (556) Slaughter and May (542) and A&O (516) dispute the emergence of this "super" group.

Mr John Grieves, senior partner of Freshfields, says the gap has emerged largely because of the recession. The amount of work declined and some firms found they were spread too thinly: they had too many employees with not enough to do and did not have the expertise across a range of practice areas to pick up a substantial share of available work. The consequence has been that weaker firms are no longer able to afford investment in recruitment, information technology and overseas expansion.

"A 'virtuous circle' has developed of good-quality business going to good-quality lawyers which in turn brings in more good-quality business which attracts more good-quality recruits to do it," Mr Grieves says.

If the gap between this group and the rest has been exposed by the recession, will it close as the economy begins to improve? Mr James Wyness, joint senior partner of Linklaters, says no. All law firms have had to work harder for their money over the past 18 months and there has been undoubted pressure on fees as companies try to cut their legal costs. That is unlikely to change.

The gap will be difficult to close, he stresses. If one of the weaker firms among the 10 largest merged with a middle-sized law firm that might put them back into the "super" group. But this is a risky strategy, Mr Wyness says. The merged firm could not guarantee that it would attract the necessary volume of quality work to support its new size.

It is also possible that a middle-sized firm might jump into the top group by merging with one of the large US law firms once rules allowing multi-national law partnerships come into force next year.

Although there are no big law firm mergers in prospect at the moment, Mr Geoffrey Howe, managing partner of Clifford Chance, does not discount this as an option for firms which appear to be slipping behind. It was the merger of Clifford Turner and Coward Chance which put Clifford Chance into the top group. People often say the merger has not worked, says Mr Howe, "but are they suggesting that either firm would have been in the top four on its own?".

Mr Grieves insists that mergers between one of the "super" group and a middle-sized firm, or between a "super" firm and a leading US law firm do not make commercial sense. A merger might be attractive to a US firm looking for a foothold in Europe, but there is no obvious advantage for leading UK firms. Size is important up to a point, he says. But the top firms have achieved their positions through internal growth, and there is no reason to change that strategy.

The "super" group is characterised by the strength of overseas practices. Mr George Inglis, senior partner of Slaughter and May, says its strength in international work, particularly in Europe, is partly why it has found life easier than others during the recession. While the UK economy has slowed down, the rest of the European Community has made up for a dearth of domestic business.

However, the top firms show distinctly different attitudes to their international strategy, which may have a bearing on their ability to remain within the "super" group.

Slaughters and Linklaters believe strength in international work flows from strength at home. The best interests of their clients in cross-border transactions lie in matching the best English firm with its counterpart where the deal is being done.

Freshfields and Clifford Chance adopt the approach of opening offices in countries where they want to attract work, hiring local lawyers or associating with them and building up a commercial practice from scratch. Clifford Chance's attentions are fixed on eastern Europe and the Soviet Union, while Freshfields will open in Madrid in November.

Allen & Overy typifies the third approach of forming alliances with foreign firms and undertaking joint ventures. After having been associated with Gide Loyrette Nouel, the premier French law firm, for several years, A&O has just formalised its alliance with one of the leading Benelux firms, Loeff, Claeys Verbeke.

Will international expansion be the decisive factor in closing the gap between the "super" group and the rest of the leading firms? Or is the gap simply a product of the recession which will close as the economy picks up? Certainly, all law firms in the FT poll of polls report an upturn in work over the last quarter.

Firms such as Simmons & Simmons, at the bottom of the list, are picking up work from the recent surge in takeovers: they are acting as solicitors for Hawker Siddeley, the engineering group, in its fight against the proposed takeover by BTR. Simmons' partners feel that if any gap exists between them and the "super" group, it will disappear as the recession ends.

The comparison with the accountancy model, while superficially attractive, does not match the legal profession. Size is important up to a point. But the commercial imperative to get bigger through merger does not exist for law firms. If a "super" group of firms remains, its main characteristic is likely to be its strength in international work, not its search for size for its own sake.

Law firms Poll of Polls

	Legal 500	New issues	Hambro Stockmkt clients	ICL table	Petroleum Economist	IFLR Eurobonds	Most FT-SE 100 clients	Top 100 Pens fund advisers	Corp Money M&A	TOTAL max 90
Linklaters & Paines	10	10	9	9	6	10	10	10	10	84
Slaughter and May	[illegible]	9	10	10	10	8	9	9	8	81
Clifford Chance	[illegible]	[illegible]	8	8	1	7	5	0	5	52
Freshfields	7	[illegible]	4	7	7	1	7	0	6	45
Allen & Overy	6	[illegible]	3	6	[illegible]	9	5	4	0	42
Herbert Smith	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	37
Ashurst Morris Crisp	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	24
Lovell White Durrant	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	20
Norton Rose	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	18
Simmons & Simmons	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	16

Firms score 0 when there are more than 10 firms listed above them in a league table

The FT's table of the top 10 law firms is based on a poll of polls – from a number of publicly available lists and rankings. It was compiled from the following sources, awarding 10 points for a first-place ranking, nine for a second and so on: the Legal 500 across 10 core areas; Corporate Money's league table of top legal advisers for mergers and acquisitions deals for the year so far; the list of legal advisers to the top 100 pension funds; a table of the law firms with most clients in the FT-SE 100 taken from Crawfords Directory of City Connections 1991; The International Financial Law Review's league table of the leading Eurobond law firms of 1990; Petroleum Economist's league table of "the most professional law firms in the UK and Europe"; International Corporate Law's table of law firms ranked by the number of recommendations made by 100 UK companies and financial institutions; The Hambro Company Guide's table of law firms with the most stock market clients; and a table of legal advisers to new share issues in 1991.

Critics might view the table as too heavily weighted in favour of those with a strong corporate client base. If it took more account of commercial banking, for example, Clifford Chance and Allen & Overy might rank higher. If it paid more attention to commercial property and insolvency it might improve Lovell's ranking which is surprisingly low.

It may also be argued that it overlooks commercial litigation. Ultimately, however, a subjective view has to be taken of what are the most important factors in terms of ranking a firm, and strength in corporate client base must be decisive because it is from there that most of a commercial law firm's work will derive. For instance, Herbert Smith appears firmly in the top group because while it is acknowledged to be the top commercial litigation firm its strong corporate client base is consistently underestimated. And where does the "super group" end and the second tier begin? Probably after the sixth-placed firm, Herbert Smith.

OBSERVER

Maxmin's minimums

■ Jim Maxmin, the highly active new chief executive at Laura Ashley, the fashion and furnishings group which lost nearly £7m last year, this week embarks on a world tour to tell staff about "the SFA programme".

SFA stands for "simplify, focus, act". It is part of Maxmin's mission to cut complexity, duplication – and 100 staff.

His tour takes him and finance director Andrew Higginson from London to Wales, via Maidenhead, then to Eindhoven in the Netherlands tomorrow and on to New Jersey and Japan by the end of the week, with Higginson diverting to Australia.

All this comes after American-born Maxmin popped back to Boston after last Thursday's results' presentation (an interim profit of £530,000), to celebrate his 49th birthday.

When Sir Bernard Ashley, chairman of Laura Ashley, advertised last year "for a chief executive to lead Laura Ashley into its next phase of development", a priority was to build Laura Ashley's international profile.

Maxmin certainly thinks global. He has instituted GOE, standing for Global Operations Executive, which will "meet monthly around the world".

On the marketing front, GCD – "Global Collection Development" – will replace Group Marketing. GCD's mission will be "single global image marketing" – or one campaign "around the world" instead of five or six.

Indian light

■ The Indian minister of commerce, Peter Chidambaram, enjoys a joke. His definition of a politician is someone who, when he sees light at the end of the tunnel, immediately orders more tunnels.

Chidambaram would no doubt appreciate the following. Sir Alexander Graham, London's lord mayor, is just back from India. In Calcutta he received at least one gift that he was forced to admit to his hosts he would probably never wear.

The tie given him by members of the Bengal Chamber of Commerce and Industry is richly emblazoned with the letters BCCI.

Pray tell

■ The Church of England sometimes seems less than clear on what theological doctrines are closest to its heart; that fuzziness is perhaps part of its appeal.

But we might expect the new archbishop of Canterbury, George Carey – or at least his PR people – to eschew eschatalogical ambiguities. His first public lecture, following his installation in January, is to be given at the University of Kent on October 25. The title is, "Do we need God to be good?"

Does this mean, "only the existence of God keeps us on the straight and narrow"; or, equally possible, "does it matter to us if it turns out that God is actually rather wicked?" Answers on a postcard to Canterbury cathedral.

Model tutor

■ Other lectures are also being eagerly awaited this autumn. Hearts are perhaps fluttering faster than normal among the academic community attending this year's Michaelmas term public lectures at the London School of Economics.

Jacques Attali, president of the European Bank for Reconstruction and Development, kicks off on October 10 with "Theories of Transition". He is followed on October 24 by Michèle Barrett who will speak on "Feminism and Disciplinary Paradigms". But Professor R Meidner's October 30 offering, "The rise and fall of the Swedish model", might attract special attention.

"Has anyone told the intelligent missiles?"

Self help

■ Britain's largest small business organisation – and the one with the most cumbersome title – is sprucing up its image and adopting a snappy new name.

The National Federation of Self Employed and Small Businesses, which has more than 50,000 members, last week celebrated its relaunch as the Federation of Small Businesses with a boat trip down the Thames and a junket in Docklands.

The federation had been thinking about the change for the past five years. But it was sitting through parliamentary debate of the statutory sick pay bill in late 1980 that persuaded Bill Knox, national chairman, that change was necessary. The federation, which had strongly criticised the government's legislative plans, was referred to more than 40 times in the debate by a variety of names but rarely by the proper one.

The new FSB, which has always been strongly pro-Europe, has also reduced the prominence of the Union Jack in its logo. The organisation has had a good summer, putting on members at a record rate, following publicity of the often churlish way that banks treat their small business customers.

Browned off

■ At rehearsals for his speech to the Labour party conference yesterday, Gordon Brown, the shadow cabinet's trade and industry secretary, found he exceeded the allotted 10 minutes.

So he jettisoned a section promising a Great Exhibition of British science, similar to the shows of 1851 and 1951. Never mind that the proposal had already leaked out – it will keep for a future occasion.

During the speech itself, delivered with the skill that has become Brown's trademark and could one day make him party leader, he suddenly found the auto-cue had broken. It must have been Neil Kinnock's office, one of Brown's aides mused.

A ready smile

■ Not all the best London Library stories are in John Wells's recent history of the institution. Some are to be found in the current Suggestions Book, which sits on a shelf underneath the notice board.

One member has written, Could the staff smile occasionally? To which another has replied, Why should they? They're not stewardesses.

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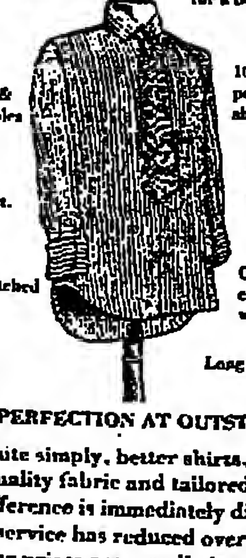

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A long and hungry ride to market

Mark Nicholson, Chrystia Freeland and Gillian Tett on the crisis in Soviet food distribution

Ask Soviet farmers if there will be hunger this winter, and they will say no. Ask city dwellers, particularly the old, the unemployed and the infirm, and they will say otherwise. The crisis is not one of producing food in the Soviet Union, but of getting it to consumers – something the state can no longer do adequately and which nascent market structures cannot yet handle.

Dire as the outlook for Soviet food output is this year, it is not disastrous. While the grain harvest is only expected to reach 190m tonnes against last year's 237m tonnes, largely because of drought in some parts of the union and floods in others, western officials do not see this in itself as catastrophic. "The system can only store and transport 200m tonnes," said one diplomat. "So the shortfall is less than you would think."

Production of potatoes, meat, butter and milk is harder to estimate, but collective farmers around Moscow say they have already met this year's state orders for dairy products and potatoes. "I don't see any chance of hunger, judging from the results here," says Mr Dmitri Pogozhev, director of the Kirov *kolkhoz* (collective farm) outside Moscow. "And I don't see it elsewhere."

The true problem, and the reason Soviet leaders are touting a multi-billion dollar food shopping list in western capitals, is distribution. Partly this is a result of Soviet inefficiency. This year, though, the breakdown of supplies appears worse than ever because of the collapse of the political and economic ties which used to bind the far-flung farms to the monolithic central authorities.

The ramshackle state of the distribution network is staggering. Where food does not rot in poor farm stores or open trucks, it does so in unrefrigerated railway wagons which often sit long in sidings. Much food is lost through carelessness – like the carpet of spilled potatoes beneath the railway wagons arriving in Moscow's biggest vegetable distribution warehouse.

A quarter of the annual grain harvest is a victim of such inefficiency every year, along with half the potato crop and nearly 60 per cent of other fruits and vegetables. In Britain, losses for the most fragile and perishable foods, such as lettuce, seldom exceed 3 per cent.

The Soviet Council of Ministers, which before the coup was the Union's main executive body, agreed in 1987 to invest R38.6bn (£7.8bn) in storage and processing equipment for farmers to tackle this part of the problem. In June, the now-dissolved cabinet met to discuss why nothing had been done. Mr Pogozhev simply smiles at the mention of this notional investment. "I see no signs of that money," he said.

Mr Pogozhev is, in fact, better placed than most farmers. Three years ago he won state permission to start a mink farm on his 4,000-hectare *kolkhoz* and with it approval to sell the pelts for hard currency. The farm now earns $300,000 a year which Mr Pogozhev is investing in storage fridges and milk-processing units made, reliably, in Finland.

But farmers elsewhere are starved of the hard currency they desperately need to buy either pesticides, fertiliser and equipment for the land, or consumer goods for the workers – things the disintegrating state can no longer provide. With this in mind, the Soviet government has, since last year, been promising all farms which exceed their state quotas, payment either in hard currency for the surplus or, failing that, direct provision of capital and consumer goods.

But the state found it impossible to spare hard currency for the farmers. Moreover, the wheezing Soviet enterprises – already unable to provide farmers with enough fuel, fertiliser and tractors – unsurprisingly did not come up with the televisions, fridges and videos offered as incentives.

Farmers were so unimpressed with the scheme that a great many across the Union have simply hoarded their harvest this year, disgusted both with what they regard as fictional incentives and derisively low state prices. Western officials reckon that farmers have so far this year met only 25 per cent of their state orders.

The state prices for their produce are low both in absolute terms and, vitally for the farmers, relative to industrial prices, which have risen far faster in recent years. Thus, farmers seeking to buy a combine harvester, for instance, will this year have to pay up to 75,000 roubles compared with 20,000 roubles a couple of years ago. The state price for a tonne of grain is just 100 roubles.

SOVIET FOOD PRODUCTION

Per capita, by republic, (in kilogrammes)

	GRAIN 1989	GRAIN 1985	POTATOES 1989	POTATOES 1985	VEGETABLES 1989	VEGETABLES 1985	MEAT 1989	MEAT 1985	MILK 1989	MILK 1985
USSR	684	643	251	263	114	115	78	88	377	388
Russia	710	688	229	236	84	86	68	59	377	349
Ukraine	989	761	373	399	158	164	86	77	471	452
Belorussia	722	579	1085	1058	87	84	117	103	725	678
Uzbekistan	77	81	16	13	175	174	24	21	146	139
Kazakhstan	1132	1434	107	138	98	87	95	71	335	299
Georgia	87	118	61	75	101	124	33	32	131	131
Azerbaijan	118	187	25	33	138	138	27	25	149	143
Lithuania	883	692	520	516	88	92	144	141	873	829
Moldavia	764	550	107	99	285	314	82	73	356	340
Latvia	595	499	490	487	82	83	144	141	873	829
Kirghizia	370	357	75	76	153	133	56	42	278	192
Tadjikistan	57	68	42	41	140	132	22	23	112	120
Armenia	55	82	81	92	163	204	32	32	149	163
Turkmenistan	106	98	10	7	218	167	29	27	118	108
Estonia	613	476	548	542	91	81	145	141	810	820

Source: Soviet government

It is the farmers' decision to hang on to their grain, rather than any absolute shortage, which as much as anything underlies the latest US estimates that the Soviet Union will this year need to import 37m tonnes of grain.

Farmers have always moaned about low state prices. But this year they have turned their complaints into action by seeking more profitable places to sell their produce – of which, as the central system breaks down, there are more than ever. They are beginning to discover the market.

Farmers are taking grain to the Soviet Union's fast-blooming commodity exchanges – which now number more than 200 and where grain prices can reach more than five times those offered by the state. In August, the National Agribusiness Exchange in Moscow turned over 500,000 tonnes of grain, and the Moscow Commodity Exchange 5,000 tonnes. Prices at the latter reached 2,500 roubles a tonne for some grades of wheat.

Such exchanges are practical only for grain or rice farmers. But those with more perishable produce are also deserting the central state distribution system, either by bartering their produce or by taking it themselves to market – literally so in the private markets of Moscow and Leningrad, or by making deals with shop managers in nearby towns.

Mr Pogozhev, for instance, reckons he barters at least 10 per cent of his farm's milk, meat, potatoes and butter, mostly with other enterprises, for fish, timber and metals. He sells 20 per cent of his output directly to local shops and markets where, as an example, he gets up to 2 roubles for a kilo of potatoes against a state price of 80 copeks. From these early links between the farm and the shop, and the haggling which forges them, is a primitive market system being born.

All this grain which is shifted through the exchanges, or food bartered and sold privately bypasses the central system, goes largely unrecorded and so adds to the overall impression of shortage. The discrepancy between actual production and the state's view of output is further magnified by the growing proliferation of *kolkhoz* workers farming their own small, private plots.

As Soviet farmers start to appreciate rudimentary market economics, so too do the consumers. The food which is circumventing the centre costs more to buy – in the case of the small private markets in most cities, much more. Meat, which costs 8.50 roubles in state shops, fetches upwards of 50 roubles at the market.

The worst hit this winter will, therefore, be those on low incomes who rely most heavily *on state-run food supplies* – the elderly and the sick. The unemployed will also suffer because most workplaces supplement the state supplies with food produced privately.

These embryonic agricultural markets cannot yet replace a centralised system in providing all Soviets with food – even at a price. What it provides, rather, is a clear indicator of the death throes of the central system.

Moreover, the spread of such markets will be necessarily limited until the 70-year-old command system and the psychology that it has produced are transformed. As an illustration, while Russian leaders now boast that the federation has 29,000 private farmers, in practice these workers, who lease their land from collective farms, still remain largely bound by the *kolkhoz* system. The farm provides them with virtually all their agricultural inputs and, in return, generally directs the private farmer in what to produce – in the best interests of the *kolkhoz*.

This winter, therefore, a few farmers will sell their food for more money than last, and some parts of Soviet society will go hungrier than last. New market structures will sprout and more big lumps of the old state system will fall off. But the resolution of the Soviet food crisis will depend less on how successful individual farmers are at bringing their food to market than on how successful the post-coup leaders are in bringing the market to the Soviet Union.

Joe Rogaly

If Labour wins

We could all be wrong. The Labour party could win the next election. That would amaze everyone, perhaps Labour most of all. We would have to become accustomed to referring to you-know-who as *prime minister. Those of you* (not me) who failed to hedge their bets by shifting the weight of their portfolios towards Labour-proof investments would be crying. State pensioners and mothers for whom child benefit really counts would be laughing.

This prospect, which has seemed to me to be wholly fantastical for most of the time since the Conservatives' election victory of 1987, cannot be *written off*. Consider the opinion polls, which the FT combines into a monthly weighted average. Labour has run ahead of the Tories in all but five of the past 27 months, and those five – December 1990 to April 1991 – reflected first the defenestration of Mrs Margaret Thatcher and then the Gulf war. Today the parties are what Mr Kinnock calls "even stevens". This is a huge improvement on the Conservatives' position since the rot first began to set in in the summer of 1989, but, as the wealth warning says, past performance is no guide to future outcomes.

So when Labour dignitaries on all wings of the party privately confess that they are not looking for outright victory but just enough to topple the Tories and slog it out in a hung parliament, you have to acknowledge that their current aspiration is not entirely wishful thinking. The annual conference in Brighton is barely two days old and much of the off-stage chatter is about hung parliaments and what would happen then. If it were not for the slight autumnal nip in the air I would swear I was still in Bournemouth, at the conference of the Liberal Democrats.

This fancy is dispelled by what Labour MPs and officials say when caught off-guard, which is that their deepest fear is that the trend Torywards will persist, so that Mr Kinnock will be defeated yet again. Depending upon how badly it lost, the party would then be in danger of either stagnation or disintegration. That is a prospect that no one in Brighton wishes to dwell upon for very long.

Meanwhile, what if Labour wins? By "win" I mean a Labour administration emerging out of a hung parliament. (Outright victory, with an overall majority, is the least likely election result, especially on present trends.) Yesterday's speakers sought to give an an answer by outlining the programme of a Kinnock administration.

First taxes would be increased, but not for any individual whose earnings fell below £20,000 a year, nor for the investment income of pensioners, nor by as much on incomes of less than £27,000 as on those higher than that. In short no "ordinary person" (Mr John Smith's euphemism

Much of the off-stage chatter at Brighton is about hung parliaments

for the working class) would have to pay more – only the fattest of cats. This would finance the promised higher pensions and child benefit. As shadow chancellor Mr Smith is a good speaker. He manages to sound so reasonable, so fair, so charmingly determined, that, if one did not know better, one might suspect that he was campaigning to be leader of the Labour party.

Second, Labour would use the higher tax take, plus revenues from fiscal drag, to finance government-led manifestations of "partnership" in industry, "investment" in education and training, and "initiatives" in scientific research and technology. Mr Gordon Brown presented this with verve and, to his credit, some decent jokes. "Tory industry policy is not that the Tories should invest in business," he said, "but that business should invest in the Tory party" and, of the Greek billionaire who gave to Conservative funds, "moving his money out of colonels and into majors".

Third, Mr Kinnock's new government would be constrained by the severe prudence of Mrs Margaret Beckett, presumably chief secretary to the Treasury. "Money at first will be tight," said she, ignoring the fact that in the circumstances I hypothesise Labour would have for once come to power at the start of what could be a sustained upswing in the economy. Anything extra that comes in during the boom of, say, 1993-94 will be spent. "Whatever we get we will invest," said Mrs Beckett.

We could proceed down the list, to, say, Mr Jack Straw's earnest pledge that a disproportionate share of such "extra resources" as there are will go to education, or to Mr Tony Blair's passionate defence of the minimum wage, or to the concerted refrain that the aim in all cases is for Britain to "hold its own with the best in Europe". This excursion into the increasingly familiar need not be undertaken. For Labour's policy pitch is easily summed up. It is an effort to sell the idea of turning away from a decade of attempting to imitate American society and towards one of becoming more like the continental countries governed by Social Democrats.

If you regard this conference as a sales convention, the party is doing as good a job as any marketing manager could expect. The hall is a television studio. The Union Jack is discreetly woven into the slogan "Opportunity Britain", which is hung prominently as a backdrop to shots of the platform. The star speakers are well co-ordinated; they use all the autocues TV demands. Potentially disruptive members of the audience are seated in out-of-the-way corners. The stream of ideas – education'n'training, investment'nindustry, best'nEurope – is presented in staccato sound-bites, long prepared, tested against the polls, well-packaged, well-thought-out, expertly targeted.

In spite of all this my money, were it to go to the betting shop, would still be on Mr Major rather than Mr Kinnock emerging as prime minister after a May 1992 election. But ruminating on it, I think I will just have another look at the yields on index-linked gilts.

LETTERS

Soviet republics should supplement rouble with hard foreign currency

From Mr Charles Bean and others.

Sir, With the USSR set to fragment into semi-sovereign republics, a central question is how many currencies there will be. One option is an EC-style monetary union with the rouble as the common currency. However, as John Lloyd notes("Time to do or die", September 25) the prerequisites for this to be successful – fiscal rectitude and a strong central bank – are unlikely to be met. Instead the central government, faced with inadequate contributions from the republics towards defence and other *common expenditures*, is already turning to the printing presses to finance its spending. Hyperinflation is not far off.

The sovereign Baltic states will soon introduce their own currencies. By contrast, the draft union treaty commits its signatories to continue using the rouble, and apparently thus condemns them to share the fate of the Russian economy and all the chaos that comes with hyperinflation. There is, however, no reason why they should not supplement it as both a medium of exchange and a store of value with a low-inflation foreign currency such as the D-Mark or the dollar. There is ample precedent for this. In Poland the dollar has been widely used in the parallel economy over the past five years, although it is now disappearing as inflation subsides. In *Yugoslavia, the D-Mark,* initially used mainly by tourists and their landladies, has largely replaced the collapsing dinar both in the parallel economy and in inter-republican enterprise trade. Both these countries also permit their citizens to hold interest-bearing foreign deposit accounts.

In each case the use of an outside currency evolved naturally, as people sought to avoid holding an increasingly worthless currency. However, Poles and Yugoslavs both had access to hard currency through commerce, which the Soviet Union does not.

The west therefore needs to encourage this process by providing hard currencies in exchange for existing rouble balances at an appropriate rate. Such a step would significantly improve the prospects for a smooth transition to a *market economy*.

Charles Bean,
Saul Estrin,
Ralph Turvey,
Peter Wiles,
London School of Economics,
Houghton Street,
London WC2A 2AE

Putting figures to rights

From Mr Angus Phaure.

Sir, A rights issue will reduce the amount of interest paid by a company and thus increase its pre-tax profits, giving the appearance that the management has achieved growth for its shareholders even when earnings per share may be declining.

The situation becomes even more bizarre when growth is achieved in an area of operation which is only partly owned, whereas in areas which are wholly-owned a large decline may take place, thus giving, once again, a big divergence in the pre-tax and earnings trends.

Is it time to switch from con*centrating on the pre-tax to the* earnings figure in the FT's company report headlines?

Angus Phaure,
Mount Meru,
Marsham Lane,
Gerrards Cross,
Bucks SL9 8HD

Encourage alternative to owner occupation

From Mr Richard McManus.

Sir, I cannot agree with John Brennan's contention that the *revival in the private residen*tial rental market is necessarily doomed because reluctant landlords will scramble to sell when property prices and turnover increase ("Gloom deepens in the low-cost rental market", September 28).

This view is predicated upon the erroneous belief that the financial interests of tenant and landlord are irreconcilable – "one winner and one loser". Both can gain by eliminating the burden of transaction costs, which weigh heavily on home buyers who move frequently.

In the recent past, particularly in the south of England, many home buyers have rapidly traded their way up the housing ladder, easily covering significant transaction costs with huge untaxed capital gains. But the "merry-*go-round" has stalled* and need never restart.

Without the pressure to get on to the first step of the housing ladder, families and individuals may now rent first. Many will prefer to do so, chastened by the capital loss, realised or otherwise, that their recent predecessors have suffered.

And these tenants will avoid the costs of the services of those who benefit from a rapidly churning property market (eg, estate agents, solicitors and life insurance salesmen).

They will be able to pay less than peers who choose owner occupation. In spite of this, their landlords will enjoy a gross rental yield comparable with, and a long-term prospect of capital growth superior to that available in the overbuilt commercial property sector.

The financial interests of mobile tenants and a long-term landlord are not irreconcilable, but rather at odds with those who thrive on numerous property sales.

The government should seize the opportunity to encourage the permanent development of an alternative to owner occupation, rather than squander money on fiscal incentives for Business Expansion Schemes that create a small and short-lived supplement to the depleted private rental stock.

Two winners, and losers reliant upon property sales?

Richard McManus,
director,
First Europe,
44 Upham Park Road,
London W4 1PG

An opportunity for comparison

From Mr James Morgan.

Sir, You reported ("Rules on disclosure of accountants' fees extended", September 28) the protest of a representative of the Institute of Chartered Accountants of England and Wales at the proposed requirement that their member firms should disclose the amount of fees gained from non-audit work for companies whose accounts they audit.

His argument was that this information would be of little practical value without other financial data about the auditing firms.

It does seem anomalous that so little information should be available about these firms, which in some cases have become so large that they have ceased to be partnerships in any real sense.

In particular the directors of their client companies, whose own remuneration has to be disclosed in published accounts, might welcome the opportunity to make comparisons with the remuneration of the general run of partners in the businesses which provide audit and other services.

James Morgan,
Yew Tree Cottage,
Kineton,
Warwickshire

Junk mail that can prick the conscience

From Mr A C Blackburn.

Sir, Having just received two in one day, I am becoming increasingly irritated by begging chain letters trying to persuade me to give my or my company's money to worthy causes and, as important, demanding a lot of company time in typing further letters and making numerous photocopies.

As the letters are not infrequently from customers and concern children's diseases, I am tempted to suggest that I am being subjected to a form of moral blackmail.

Is it just me or do others feel likewise? It is not a form of unsolicited junk mail that one can dump in the bin without at least a twinge of conscience.

A C Blackburn
Klöckner Pentaplas,
Station Road,
Theale, Berkshire

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Asylum opens the door to German right wing

Christopher Parkes on the electoral cost of liberal laws

Gerhard Frey, leader of the DVU, at a news conference after his party's poll success

WHO left the door open? The question exercising Germany's political pathologists yesterday in the wake of the debacle of the Bremen state elections seemed academic.

The fact was that six members of the extreme rightwing Deutsche Volksunion (DVU) had kicked it down and strutted in to claim their seats in the Bremen parliament among the stunned and shamefaced representatives of Germany's mainstream parties. And the prospect was that more of the same could be expected next April, when Baden-Württemberg – the only western state still controlled by the Christian Democrats (CDU) – goes to the polls.

The Social Democratic party (SPD), in opposition in Bonn, suffered a double shock. After 20 years with an absolute majority in Bremen, it will now have to cobble together a coalition. It will also have to learn to live with the knowledge that while some of the deserters went to the CDU, most, and particularly the 18-to-24-year-olds in inner city areas, threw in their lot with the extreme right.

Detailed analysis of the results showed that in one industrial quarter of the city of Bremen, where foreigners make up 20 per cent of the population, the Social Democrats' share of the vote fell from 65 per cent to 40 per cent, and the DVU's rose from 3 to 15 per cent.

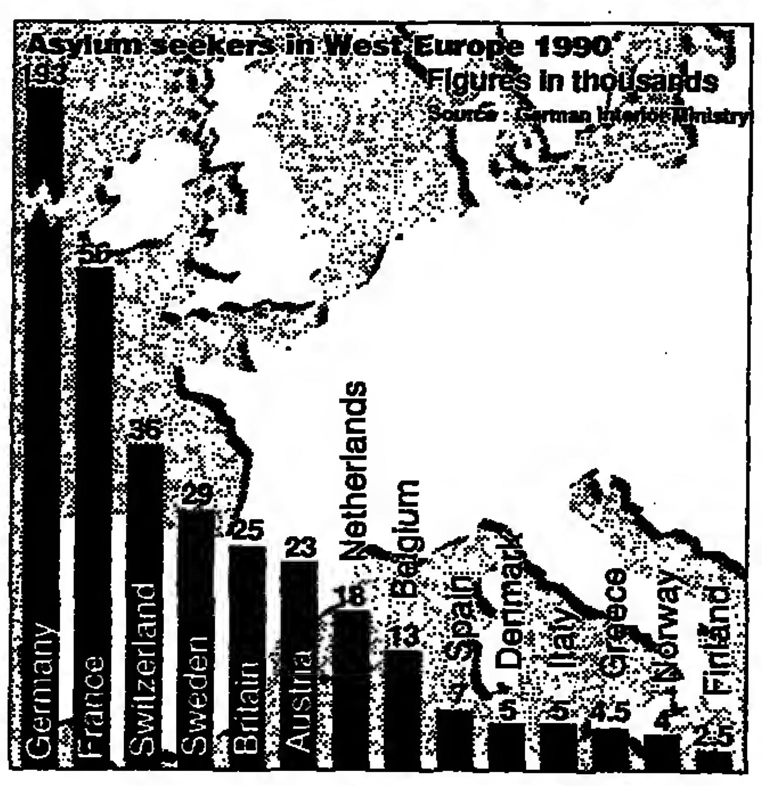
It was no comfort to the SPD that young leftwingers hounded the victorious DVU candidates out of town when news of the election result spread; and the CDU's delight at raising its tally of seats from 25 to 32, was blighted by the continuing rise over the weekend in the number of attacks on foreigners in Germany.

So far this year there have been more than 200 arson attacks on the homes of people awaiting processing of their claims for asylum. There have been countless swastika-daubings, muggings and stone-throwing assaults. At least two people have been killed.

Street wisdom has it that the problem is confined to the east, in the former German Democratic Republic (DDR), where once-repressed and still under-privileged "Ossis" have in time-honoured fashion taken to kicking those below them on the social ladder: guest workers and asylum seekers. Sunday's election result brought home to the "Wessis" that xenophobia is a national problem, and, as innumerable politicians declared yesterday, "a national disgrace".

The door into Germany has been open since 1949 when the country's constitution, enshrining the most liberal asylum laws in Europe, was promulgated. Last year, 193,000 people, almost 50 per cent of all those seeking asylum in western Europe knocked on Germany's door and were allowed in. This year, the figure will certainly top 200,000, and may reach 250,000.

The door to the Bremen parliament chamber was opened for the extreme right by politicians of all persuasions who have wrangled half-heartedly within and across party lines for the past year over how to deal with the issue. It is a matter of pride that Germany should be seen in the world community as capable of handling its internal problems. Calls from within government party ranks for a European Community solution, in spite of much support from the German commissioner in Brussels, Mr Martin Bangemann, have not been taken up at the top level.



Promises from the ruling CDU party that its plans for amendments to the constitution will not affect the basic right to asylum, have made no impression either on the intractable opposition of the SPD, or on the Liberal (FDP) coalition partners. A cross-party meeting chaired by Mr Kohl last Friday merely confirmed the divisions, and as the SPD spelt out clearly, it would not allow the constitution to be touched. Since change requires a two-thirds majority in the Bundestag, the issue appears to be a dead letter.

Despite the politicians' paralysis, there has been some progress. Rigorous examination of claims to asylum has reduced the acceptance rate from 16 per cent in 1986 to less than 5 per cent today. A fugitive now has no more chance of recognition in Germany than anywhere else in Europe, but while the constitutional gateway remains open there seems little chance of reducing the flow.

With unemployment already as high as 40 per cent in parts of east Germany (it is 13.5 per cent in Bremen) and an estimated nationwide shortage of some 2m homes, the pressure on housing, the labour market and national politicians will increase accordingly. Apart from earnest denunciations of the reign of terror in the states beyond the cosiness of Bonn, their response so far has been both feeble and evasive.

Mr Björn Engholm, the chairman of the SPD, intoned yesterday that the issues of foreigners and asylum "have not been handled sensitively enough". In truth, they have not been handled at all, and the DVU is content.

THE LEX COLUMN

Asda plunders the till

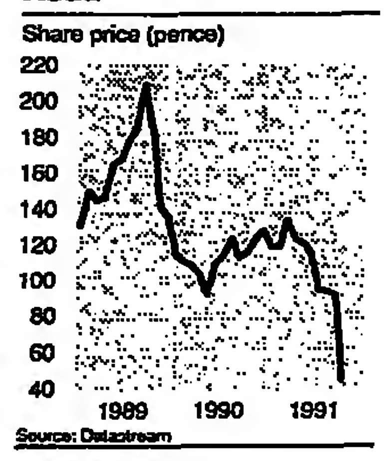
The Asda rights issue is remarkable in two respects: that it should be happening at all, and that it shows the company in even worse shape than previously imagined. The proposition is that a company with net debt of £930m should raise £357m of new equity and reschedule £200m of debt, yet still be obliged to renegotiate its banking covenants on the remainder. Partly, this is because imminent repayments mean the covenants will be breached before the rights cash is forthcoming. But it is clear that even with its balance sheet strengthened, Asda needs further leeway.

This dire state of affairs is claimed by the company to be a matter purely of financial structure rather than underlying trading. The Gateway purchase in 1989 was financed wholly by short-term debt, on the doomed assumption that it could be paid for through sale and leaseback of the newly acquired stores. The deal was certainly the turning point. Asda then had a market value of £2.4bn. It paid £705m for the stores and is worth £534m today. The snag is that since then pre-interest margins have been tumbling as well. The company's only strategic response to this is to promise to try harder.

For shareholders, the decision whether to put up further money is far from simple. It could be argued that the Burton rights issue, which seemed desperate enough at the time, has since proved a profitable investment. But Burton has advantages denied to Asda, ranging from a chief executive to the prospect of a sharp recovery in sales when the economy revives. The Asda issue also brings to over £1.7bn the amount the institutions have been asked to put into the food retailers this year in what could yet prove a zero sum game.

The best argument for stumping up is that it keeps Asda going until the market for its assets improves. But since the underwriters have provided the cash already, it is tempting to leave them to it.

FT-SE Index: 2,621.7 (+22.7)



Airtours

Airtours' announcement that its pre-tax profits in 1990-91 may have been nearly £25m, against a quarter of that the previous year, confirms that it has taken handsome advantage of ILG's abrupt exit from the tour operating business. Higher volume has not only helped margins; it has brought the cash flooding in. Airtours now has free cash equivalent to 40 per cent of its £160m market capitalisation.

The three biggest tour operators now control 70 per cent of the UK market, Airtours' share being around 13 per cent. It may be that this will produce what is euphemistically known as an orderly market, as opposed to the price cutting of previous years. The particular danger for Airtours is that it might grow too quickly and set off discounting by its larger rivals, Thomson and Owners Abroad, in defence of market share.

If it avoids that, it should turn in £1 of earnings per share in the coming year. Even after yesterday's 14 per cent rise, the shares are on a prospective multiple of less than 8; that would seem to owe more to experience than hope.

By Airtours' own standards, yesterday's jump in the share price was no great shakes. In the last year, its shares have risen nearly sixfold, outperforming the market by 370 per cent. Shares in Owners Abroad have outperformed by a mere 70 per cent over the same period.

BAT Industries

The disturbing thing about Mr Michael Butt's departure from Eagle Star is not so much the event itself, but that it occurred so long after the company's troubles were first revealed. Till yesterday he continued to enjoy BAT's public support, and there was apparently little institutional pressure for him to go. The natural suspicion is that there is even more red ink to flow at Eagle Star than previously suspected, but this is vehemently denied by the company. In that case, Mr Butt looks simply the victim of a belated reaction by a parent struggling to vindicate a flawed overall strategy. Admittedly, he cannot escape responsibility for Eagle Star's enthusiastic quest for mortgage indemnity exposure. It has been hit harder than others by mortgage repossessions. The other parts of BAT's financial services empire are performing satisfactorily, but insurance remains a curious combination with tobacco. Rothmans, which has diversified little, has a better earnings record over the past five years. Philip Morris's sideways move into the more straightforward world of food is on the face of it a good deal more rational.

BAT, by contrast, is enmeshed in a business which it has difficulty understanding and which is now eating up its cash. Eagle Star's losses are pushing up its tax charge as a result of unrelieved ACT. This would not have happened had BAT not spun off Wiggins Teape and Argos as part of its restructuring after the Hoylake bid. That is not all Mr Butt's fault. If sacrifice was called for, it might have been better borne by those who dreamed up the strategy and stuck with it through thick and thin, rather than by the executive brought in to implement it.

Steetley

Steetley's dreadful interim figures should have come as no surprise so late in the sporting season for construction-related companies. It was therefore somewhat unsettling that its shares were marked down by 12 per cent yesterday on news of a near three-quarters fall in pre-tax profits to £13.5m and a held and barely covered dividend.

Steetley always maintained that its acquisitions in Canada, France and Spain – in the latter cases at or near the top of the cycle – would protect it from UK recession. But while UK half-year operating profits were down by two-thirds, its overseas markets have gone into reverse as well. Operating profits in Spain and France have fallen by 46 and 23 per cent respectively. Even though these markets still contributed 64 per cent of group profits, the fact that their infrastructure spending is now heading into general decline means the strategy may yet prove to have been mistimed.

Meanwhile, the interest bill has been rising on net debt approaching £250m. It is hard to see relief this year or next on the trading front. Despite the management's protestations, a rights issue cannot be ruled out.

EC commissioners still split on de Havilland

By **Andrew Hill** in Brussels

EUROPEAN commissioners are still split on whether to block a Franco-Italian takeover of de Havilland, the Canadian aircraft manufacturer, at tomorrow's meeting of the European Commission.

Neither side has yet gained enough support to win an outright majority, although the issue was debated for more than five hours on Friday by the 17 commissioners' advisers, and again yesterday by their cabinet chiefs.

Sir Leon Brittan, the competition commissioner, will recommend that his colleagues reject the takeover by Aérospatiale of France and Alenia of Italy, on the grounds that the deal would give the merged group a near-monopoly of the EC market for small turbo-prop commuter aircraft.

The recommendation represents the first attempt to block a takeover under the EC's year-old merger regulations. Sir Leon may try to rally support by arguing that a vote against his proposal would undermine the Commission's competition policy. A decision could be deferred until next week's Commission meeting, but must be made by October 14.

Sir Leon is likely to be opposed by Mr Karel Van Miert, responsible for transport, and Mr Martin Bangemann, who holds the industry portfolio. They believe that European aerospace companies should be given every chance to build their strength in the world market.

Mr Van Miert is also understood to dispute Sir Leon's claim that a merger might destroy smaller regional airlines because it would allow the enlarged group to push up the price of the turbo-prop aircraft such airlines tend to use.

However, the deal would also favour de Havilland of Canada and Alenia and Aérospatiale's EC competitors – principally Fokker of the Netherlands and British Aerospace – claim they might have to pull out of the commuter aircraft market if the takeover goes ahead.

Sir Leon is said to be supported by fellow commissioners Mr Frans Andriessen, Mr Peter Schmidhuber and Mr Henning Christophersen.

In addition to Mr Bangemann and Mr Van Miert, he is likely to be opposed by French and Italian commissioners, including Mr Jacques Delors, the Commission president, who are under strong pressure from their home countries to approve the deal.

Belgrade sends more tanks to Croatia

By **Laura Silber** in Belgrade

THE YUGOSLAV army sent two columns of tanks and other military vehicles to Croatia yesterday after Croat forces captured a key military base in the rebel republic.

The fresh deployment of troops, including 30 battle tanks and 20 armoured vehicles, coincided with an upsurge in fighting inside Croatia and raised fears of a general mobilisation in Serbia.

Mr Ante Markovic, Yugoslavia's prime minister, who is a Croat, yesterday called on Serbia's president, Mr Slobodan Milosevic, to stop the mobilisation of reservists. "I appeal for the stopping of this senseless destruction. . . . and killings," he said in a letter to Mr Milosevic. "A general mobilisation in Serbia is directly causing a civil war," he said.

General Tomislav Simovic, the Serbian defence minister, said at the weekend that total mobilisation would be ordered when "the circumstances are right".

The week-long ceasefire agreed between the Croatian and federal governments was further undermined yesterday by fighting in several Croatian towns. Croatian radio said the federal army, which is Serbian dominated, stepped up attacks near Vinkovci, a town in eastern Croatia which is a key railway junction. There was fighting, too, around Vukovar and Osijek in eastern Croatia, according to Tanjug, the Belgrade-based Yugoslav press agency.

Croat officials said that 30 army tanks had been seized earlier as Croat forces overran a federal base in Bjelovar, 50 miles east of Zagreb, the republic's capital.

Mr Zvonimir Separovic, Croatia's foreign minister, yesterday ruled out any further delay in the republic's move towards independence, which it declared on June 25.

Mr Separovic said the Croatian government would not extend a three-month moratorium on its quest for state sovereignty which was agreed with the EC and which expires on October 7.

It was unclear yesterday whether the fresh deployment of federal troops was in preparation for a new offensive against Croat forces.

The army convoys which left the Yugoslav and Serbian capital Belgrade yesterday morning relieved besieged army barracks in Vukovar, which is on Croatia's border with Serbia.

The military has been plagued by low morale and desertions among the Serb reservists, who are often unwilling to fight the Croats on their own ground.

Thousands of reservists have deserted the front, complaining they will not fight in an undeclared war without any clear goals.

The army has also been hit by a boycott on military service by the republics of Macedonia and Bosnia-Hercegovina.

Mr Milosevic, with the aid of the federal army, appears to be intent on expanding Serbia's borders to include the 2m Serbs living beyond the republic in Bosnia and Croatia.

If he is to succeed in carving out a Greater Serbia, the next step will be to mobilise Serbia and declare a state of war with Croatia.

UN team arrives with N-evidence

Continued from Page 1

of videotape and more than 700 rolls of film used to photograph documents.

In New York, Mr Rolf Ekeus, head of the UN commission charged with identifying and dismantling Iraq's unconventional weapons, said the team had been "firmly instructed" to brief only the commission or the IAEA. This followed allegations that Mr Kay had passed information directly to Washington while detained by Iraq. "I don't believe there have been any faxes involved in this," Mr Ekeus said, "but there may have been telephone briefings which may have been understandable in the circumstances."

Mr Hans-Friedrich Meyer of the IAEA suggested that the Iraqis had hidden or destroyed further incriminating evidence of its unconventional weapons while detaining the UN team for five days last week.

Three helicopters provided by Germany for the various UN inspections are due to fly to Iraq this week. A 20-member team of ballistic missile experts is expected to use them to supervise the destruction of Scud launchers and hunt for missiles apparently hidden by Iraq.

Shopping and socialism on Stalin Square

Continued from Page 1

the husband grimacing until he takes his medicine, and then smiling as he bites into a pizza.

Golden Lion has a young woman in shorts turning heads atop one of the company's bicycles, and prompting a group of Beijing joggers to run after her – they are disappointed when she ultimately meets her man, who is aboard a Golden Lion 10-speed.

Later in the month, a syrupy series about Mao and revolutionary soldiers, in which a caring Mao gives a salute to a wounded soldier, will jostle for ratings with an episode of Dynasty.

About half of prime time television commercials are for foreign products. In the People's Daily, the page carrying yesterday's commentary encouraging Marxism had, on its other side, a full-page advertisment for a Sharp video cassette recorder. There were also ads for a Sony VCR and a copier from Gestetner, "famous throughout the world since 1881".

In a village outside Dalian, local party officials talked of the strong ideological will of the residents. This is a relatively prosperous area. When asked what ambition is most cherished by the villagers, the deputy party secretary said a "second refrigerator".

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	25	77	Berlin	R	16	61	Caracas	F	29	84	Faro	S	21	70	Islamabad	F	27	81
Algiers	F	23	73	Biarritz	C	17	63	Casablanca	C	21	70	Florence	T	20	68	Istanbul	S	28	82
Amsterdam	R	11	52	Bombay	F	30	86	Chicago		-	-	Frankfurt	F	17	63	Jakarta	F	33	91
Athens	F	29	84	Bordeaux	F	19	66	Cologne	C	15	59	Geneva	S	18	64	Jersey	S	14	57
Bahrain	S	32	90	Boulogne	S	14	57	Copenhagen	F	15	59	Gibraltar	S	22	72	Johannesburg	F	28	82
Bangkok	R	29	84	Brussels	F	15	59	Corfu	F	28	82	Glasgow	F	11	52	Lima	C	20	68
Barcelona	F	22	72	Budapest	S	29	84	Dallas		-	-	Helsinki	R	11	52	Lisbon	S	19	66
Beirut		-	-	Buenos Aires	F	18	64	Dublin	F	11	52	Hong Kong		-	-	London	C	14	57
Belfast	F	10	50	Cairo	S	33	91	Dubrovnik	S	28	82	Innsbruck	C	23	73	Los Angeles		-	-
Belgrade	S	32	90	Cape Town	S	31	88	Edinburgh	F	9	48	Inverness	S	10	50	Luxembourg	C	13	55

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Madeira	F	23	73	Milan	R	18	64	Nicosia	S	29	84	Salzburg	F	20	68	Tenerife	C	25	77
Madrid	S	19	66	Montreal		-	-	Oporto	F	18	64	San Francisco		-	-	Tokyo	R	24	75
Majorca	F	23	73	Moscow	F	13	55	Oslo	R	9	48	Seoul	F	20	68	Toronto		-	-
Malaga	S	23	73	Munich	F	18	64	Paris	F	14	57	Singapore	F	31	88	Tunis	F	26	79
Malta	S	30	86	Nairobi	F	27	81	Peking	S	21	70	Stockholm	Dr	13	55	Valencia	F	26	79
Manchester	S	12	54	Naples	S	30	86	Prague	R	17	63	Strasbourg	F	18	64	Venice	C	21	70
Manila	C	31	88	Nassau	F	30	86	Reykjavik	R	9	48	Sydney	S	26	79	Vienna	F	24	75
Melbourne	C	15	59	New Delhi	S	32	90	Rhodes	S	31	88	Taipei	C	27	81	Warsaw	S	26	79
Mexico City	R	15	59	New York		-	-	Rio de Janeiro	C	32	90	Tangier	F	21	70	Washington		-	-
Miami		-	-	Nice	C	19	66	Rome	S	26	79	Tel Aviv	S	28	82	Zurich	F	14	57

Temperatures at midday yesterday C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sunny Sl-Sleet Sn-Snow T-Thunder

TI Group has just become the majority shareholder in Dover Japan Inc., a leading producer of engineered seals for commercial shipping. Marine seals keep oil in, and sea water out of, ship propeller shafts and thrusters. TI Group is only the fourth overseas company to acquire a majority shareholding in a Japanese public company. The acquisition resulted from TI's need to add Far East production to that of its UK marine seals specialist, Deep Sea Seals, to meet global customer demand. Deep Sea Seals already supplies 49 navies as well as many commercial fleets. Together, Dover Japan and Deep Sea Seals give TI Group world leadership in this critical market. Without them, world shipping could founder.

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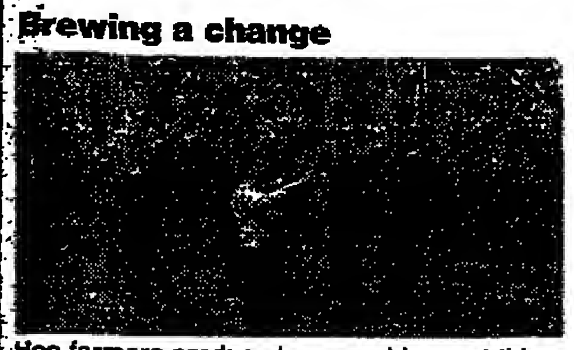
INSIDE

Gold price rises as Soviet reserves fall

The price of gold rose sharply yesterday after the market absorbed the implications of the much reduced size of Soviet gold reserves. A leading Soviet economist asserted that the USSR had cut its reserves by two-thirds in the past year, possibly leaving Soviet reserves as low as 240 tonnes. Page 33

Brewing a change



Hop farmers produced a record harvest this year, and the glut of hops raised fears of a fall in price. But a fire in Kent destroyed 10 per cent of the UK crop, so prices may now stabilise and allow the industry good profits for the first time in six years. Page 33

Asda looks for £357m

Asda, the UK's fourth biggest grocery retailer, yesterday announced plans to raise £357m ($624m) by way of a conditional rights issue. Page 24

Lucky timing for Japanese

Having waited six years for a UK banking licence, Norinchukin Bank of Japan has its eye on increasing its role in the Euroyen money market by providing its customers with a full London base that offers 24-hour trading. Page 29

Income drops at Disney parks

Operating income at Walt Disney theme parks has been hit by the recent Gulf war, the US recession, weak domestic and international travel and flagging consumer confidence. The division's operating profits in the quarter to end-September are expected to be between $170m and $175m, down sharply from $242.3m in the year-earlier period. Page 26

Asthma drug market in disarray

The $4bn-a-year asthma drug market has been thrown into disarray by the revelation that some treatments might be lethal to a small number of users. Page 31

Japan supports markets

Japan supported the world index of equity markets again last week. While European and US stock markets flagged, hopes of lower interest rates and a strong domestic bond market helped Japan to a robust performance. The overall World Index added 0.4 per cent on the week in local currency terms, according to the FT-Actuaries World Indices. Excluding Japan, the World Index was down 0.6 per cent. Back Page

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises				**Rises**			
Continental AG	216	+	7.5	BIC	759	+	24
Esterbayer	910	+	50	Beghin-Say Grt	488	+	18
Linotype-Hell	537	+	16	Cetelem	617	+	22
Falls				Fonc Lyonnaise	620	+	23
Porsche	657	–	23	Industrielle	5000	+	270
Rheinmetall Prf	242	–	10	**Falls**			
Rosenthal	255	–	9.8	Worms Cie	335.1	–	14.9
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
ICI	93¾	+	2⅞	Daito Wool	885	+	95
Falls				Daito Kogyo	765	+	65
Disney (Walt)	112	–	2	Macross	343	+	33
Duracell	28⅛	–	⅝	Nippon Carbon	1460	+	150
Old Stone Corp	5	–	1¾	Olympic	780	+	80
USAir	9¼	–	1	**Falls**			
Zenith Labs	12¾	–	7	Nippon Air Br	685	–	71
PARIS (FFr)							

New York Prices as at 12:30.

LONDON (Pence)

Rises				Powell Duffryn	318	+	13
Airtours	778	+	93	Tiphook	584	+	17
Bk of Scotland	124	+	6	**Falls**			
BA	163	+	13	ASDA	45½	–	9½
Carlton Comms	544	+	20	Admiral	325	–	13
Central TV	988	+	30	Aviva Pet	15¼	–	1½
Colorgraphic	96	+	7	Ex Co Louis	45	–	11
Headline Book	135	+	6	First Nat Fin	85	–	19
Hi-Tec Sports	199	+	14	Microgen	189	–	14
ICI	1328	+	24	Raine Inds	135	–	7
Intl Resort	52	+	6	Steetley	290	–	39
Nat Home Loans	19	+	2½				

Chairman of Eagle Star resigns

By Richard Lapper in London

MR MICHAEL BUTT has resigned as chairman and chief executive of Eagle Star just over a month after the BAT Industries insurance subsidiary announced pre-tax interim losses of £189m ($330.8m) – the worst performance by any of the UK's troubled general insurers.

Mr Butt, a former insurance broker, was once tipped as a future chairman of BAT Industries. He dismissed speculation about his own future last week when Eagle Star announced a far-reaching restructuring which will involve the loss of 1,000 of the 5,500 jobs in its general insurance business.

Yesterday, however, Mr Brian Garraway, deputy chairman of BAT Industries and the board member responsible for the strategic direction of the group's financial services business, admitted that BAT had been "moving towards" demanding that Mr Butt leave since Eagle Star's interim results were announced in August.

BAT had become increasingly worried by "spreading uncertainty", said Mr Garraway.

He added: "It is an issue of accountability for performance. Michael was the chief executive."

Mr Butt has paid the penalty for presiding over Eagle Star's rapid expansion into the commercial mortgage and domestic mortgage indemnity insurances – whereby Eagle Star insured lenders against any losses they might make after selling repossessed properties – in the late 1980s.

Out on a wing: Michael Butt (above) parts with BAT chairman Sir Patrick Sheehy

According to one insider, Eagle Star wrote this business as a means of penetrating other insurance markets but it "failed to see just how big the numbers could be". In the event, losses – including extensive provisions for future claims – have amounted to more than £400m.

Mr Garraway denied that pressures from institutional shareholders had played any part in Mr Butt's resignation.

The poor performance of BAT's share price did not help Mr Butt's case. BAT has underperformed the market by 14 per cent over the past month.

BAT is understood to have offered to pay compensation of around £450,000 to Mr Butt, equivalent to one and a half times the chief executive's salary.

Mr Garraway, who recently completed a nine-month stint as executive chairman of BAT's life insurance subsidiary, Allied Dunbar, will take over temporarily at Eagle Star.

The group is expected to announce a replacement by early next year. A strong list of internal candidates includes Mr John Bishop, head of the group's UK operations who joined Eagle Star from Sun Alliance earlier this year, and Mr Stephen Melcher, head of Eagle Star's successful life insurance division.

Lex, Page 22

Tobacco group sticks to its blend

Richard Lapper reports on BAT's strategy for loss-making Eagle Star

"DON'T think for a moment that we will change the strategy," said Mr Brian Garraway deputy chairman of BAT Industries. He was speaking in the wake of yesterday's resignation of Mr Michael Butt as chairman of Eagle Star, one of the three insurance arms of the tobacco-to-financial services conglomerate.

Along with BAT's chairman, Sir Patrick Sheehy, Mr Garraway pioneered the group's move into the financial services business nearly eight years ago.

He will spend much of the next 12 months – his last year before retirement – trying to restore profitability at Eagle Star, which has paid dearly for ill-judged expansion into the high-risk commercial mortgage guarantee and domestic mortgage indemnity markets. Its general insurance business will focus more on small ticket – and lower risk – home and life insurance, says Mr Garraway.

These businesses already generate 60 per cent of Eagle Star's revenue, compared with 33 per cent in 1984 when Eagle Star was originally acquired. BAT Industry's other two insurance subsidiaries – Allied Dunbar, the Swindon-based life insurer acquired in 1985, and Farmers Group, the Californian-based general insurer – concentrate on life and personal lines business.

Mr Garraway insists that the rationale for the initial move into financial services remains valid. Like its major main competitors in the international tobacco market, BAT was spurred into diversification in the early 1980s because of the likely long-term decline in tobacco sales in the developed world.

BAT's choice of financial services in which its management had no previous long-term experience has attracted controversy. Its competitors, for example Philip Morris, the world's biggest tobacco manufacturer, moved into businesses with similar characteristics to tobacco, such as beer and foods.

BAT Industries	Turnover (£m)			Trading profits (£m)		
	Tobacco	Fin Serv	Other	Tobacco	Fin Serv	Other
1986	8,044	3,161	1,274	757	300	58
1987	7,572	3,805	1,246	777	289	53
1988	7,161	3,858	1,231	766	453	59
1989	8,024	5,668	1,168	932	813	55
1990	8,971	5,695	1,029	966	195	9

Source: BAT Industries

According to Mr Garraway, the group was attracted by the idea of linking its low growth but cash-rich tobacco business to the high growth and capital hungry insurance industry. "It was a strategy based on financial analysis and financial need," adds another leading figure at BAT.

For much of the 1980s, the strategy worked relatively well. Allied Dunbar and Farmers Group have been consistently profitable. The strategy has also helped BAT reduce its dependence on the developing world from 40 per cent of turnover to only 15 per cent.

The company's fans insist that Eagle Star's problems are a hiccup and reflect the depressed conditions in the entire UK insurance industry.

The "long-term strategy is working", says Mr Nyren Scott-Malden, analyst with Barclays de Zoete Wedd, the group's house broker.

Even so, management mistakes led to the severity of Eagle Star's losses, which were much heavier as a proportion of premium income than any of its competitors.

Losses on mortgage guarantees were the main reason. It is difficult to imagine its more risk-averse competitors making the same mistake.

BAT clung fiercely to its financial services subdiaries when the unsuccessful bid by Sir James Goldsmith in 1990 pushed it into divesting its packaging and retailing interests. However, investors' enthusiasm for BAT's diversification into financial services might not survive any further problems.

According to one insider, BAT has backed away from diversifications in the past – such as Brazilian supermarkets and cosmetics – when "we found we couldn't run these businesses any better than people who'd done that all their lives".

Mr Garraway, at least, has no such doubts about BAT's ability to run financial services operations successfully. For the next 12 months, he will have the opportunity to demonstrate that at first hand.

Italian bank buys control of Crediop

By Haig Simonian in Milan

ISTITUTO Bancario San Paolo di Torino, Italy's second-biggest bank, yesterday ended months of speculation by announcing agreement with the Treasury to buy control of Crediop, the state-owned long-term lending institution based in Rome.

The deal, worth around L2,100bn ($1.7bn), follows San Paolo's L900bn purchase in March 1989 of an opening 29.7 per cent share in Crediop. That stake was subsequently raised to almost 40 per cent, and Turin-based San Paolo will now buy a further 50 per cent of the bank.

The deal represents a big boost for San Paolo, which in recent years has emerged as Italy's biggest and most dynamic financial institution. Measured by asset size, San Paolo together with Crediop will now rank almost on a par with Germany's Dresdner Bank and easily ahead of its domestic rivals.

Crediop will be transformed into a joint stock company, with part of its capital eventually being floated on the stock exchange, although San Paolo will retain a majority stake.

Both timing and size of the flotation remain unclear, partly because they are likely to be affected by San Paolo's plans to float some of its shares. As matters stand, San Paolo has the legal status of a charitable foundation, although it is in the process of transforming into a limited company prior to flotation.

Crediop, the second largest long-term lending institution in Italy, concentrates on financing public-sector works projects. Net profits were L262bn last year.

Although the government will retain a 10 per cent holding, selling Crediop represents a substantial, if long-awaited, boost to the privatisation programme favoured by Mr Guido Carli, the treasury minister. Agreement on the terms, based on a valuation by Kleinwort Benson, the UK merchant bank, was concluded over the weekend.

However, the other big banking privatisation under way, that of the Rome-based Istituto Mobiliare Italiano financial services group, is still enmeshed in political uncertainty.

The sale may also have significant repercussions for other banks. Crediop is one of the five core shareholders in Banco Ambrosiano Veneto (Ambroveneto), Italy's biggest private sector bank. Although Crediop is likely to be given some independence within the San Paolo group, it is unlikely the Ambroveneto stake will be seen as strategic in the longer-term.

Renault truck subsidiary profits plunge to FFr28m

By William Dawkins in Paris

RENAULT Véhicules Industriels (RVI), part of the Renault French state-owned car maker, yesterday reported a collapse in first-half group profits from FFr517m ($90.7m) last year to FFr28m in the first six months of 1991. Sales were down 14 per cent from FFr16.1bn to FFr13.8bn.

The decline is another clear sign of the continuing recession in the world truck industry, in which RVI is ranked as the third largest producer.

Officials expect RVI to break even by the end of the year, with the help of a good reception for the latest AE range of vehicles.

However, there was no sign of a recovery in any of RVI's markets, except for Germany, where truck sales have grown throughout the recession, and no significant profits improvement was expected until next year. Mack is expected to continue producing losses in the current half.

A 56 per cent rise in losses at RVI's troubled US subsidiary, Mack Trucks, nearly wiped out profits in the European branch, which fell 41 per cent.

In the US, Mack's losses climbed from FFr263m to FFr410m, while the European branch's profits dwindled from FFr780m to FFr462m. Europe takes around 70 per cent of sales, the rest in North America.

The group profits collapse is in line with forecasts and RVI is holding market share in the US and Europe, said officials.

RVI has instituted sweeping management changes at Mack, since taking full ownership of its formerly 45 per cent owned US subsidiary last autumn.

In France, it also announced 829 job losses last June, out of a world workforce of 18,500.

The European market is heading for a 12 per cent decline this year, within which British truck sales will decline 40 per cent, French turnover will fall 16 per cent, and German sales will rise 15 per cent, RVI said.

US truck demand will decline by 30 per cent over the same period, RVI forecasts.

Last week RVI's owner, the state-controlled Renault car producer, unveiled a greater-than-expected decline in profits for last year and warned that prospects for a recovery in 1991 were slim.

Net profits fell by 87 per cent to FFr1.2bn, pulled down by a decline in European car sales, a squeeze on prices and losses at the group's truck-making subsidiary.

Unisys to float defence unit

By Louise Kehoe in San Francisco

UNISYS, the third largest US computer group, plans to spin off its defence systems subsidiary through a public stock offering in which it will sell all its interests in the $2bn per year operation.

The sale is the latest in a series of moves by the financially troubled computer company to raise cash and focus on its "core businesses".

Twenty million shares in the new company, to be called Paramax, are to be offered at between $22 and $25 each, yielding $440m to $500m for Unisys.

In addition, Unisys will receive $332m in cash from Paramax. Details of how the new company will make this payment, and when, are expected to be included in the stock offering prospectus, which has yet to be published.

Unisys has previously announced plans to sell "non-core" businesses to reduce its debt, which currently stands at about $3.8bn.

Efforts to find a single buyer for the defence unit appear, however, to have failed, leading to the public stock offering.

The defence unit sale follows the settlement, last month, by Unisys of a long-running defence fraud case which had stood in the way of plans to sell the defence business. Under the terms of the settlement, Unisys agreed to pay $190m in civil and criminal fines. The negotiated settlement includes $46m in deferred profits from an ongoing defence contract which will now be fulfilled by Paramax.

The defence business represents about 20 per cent of Unisys' $10bn annual revenues. Unisys recorded losses totaling $1.1bn over the past two years. In July, the company announced it would cut 14 per cent of its workforce - 10,000 jobs - in a cost-cutting effort.

The defence unit sale "is part of the ongoing asset sale programme of non-strategic assets that the company has been pursuing for the last year and a half," Unisys said.

"The asset sale program will continue, beyond the defence unit sale," a spokesman said.

Last week, Unisys completed the sale of its computer-networking division, Timeplex , for $207m.

It also announced a new line of mainframe computers, its most important product, and said it had received $150m in orders.

This announcement appears as a matter of record only.

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BANK OF BOSTON

September 1991

INTERNATIONAL COMPANIES AND FINANCE

Hanson borrows $4bn to cover Beazer purchase

By Sara Webb in London

HANSON, the UK-based industrial conglomerate, is close to signing a $4bn syndicated loan, to cover its acquisition of Beazer, Britain's fourth largest housebuilder.

The $4bn seven-year financing is believed to be the largest highly leveraged transaction in the past two years. It is being arranged by Chemical Bank in the US, with Banque Paribas, Citicorp, Swiss Bank Corporation and Toronto-Dominion Bank acting as co-arrangers for the deal.

Bankers involved said terms are being finalised. They point out that pricing – including the margin over the London interbank offered rate, and additional fees – for syndicated loans is now two or three times what it was two years ago as banks have been forced to look more cautiously at their lending in order to meet capital adequacy requirements.

Hanson's syndicated loan is expected to consist of $2.2bn in new borrowings and $1.8bn to refinance some existing debts. The new money is needed to cover the cost of acquiring Beazer, following Hanson's recommended £339.8m takeover offer, which it made two weeks ago.

Beazer's total indebtedness stood at £1.25bn in August. It included an unsecured loan which was renegotiated and increased to $2.5bn in September 1991, and which matures in December 1995.

The remaining $1.8bn is intended to refinance an existing syndicated loan – originally for $2.6bn – which Hanson arranged in 1990 when it acquired Peabody Holding, the US coal mining concern, for $1.2bn.

The terms for the $2.6bn loan were set at 50 basis points over the London interbank offered rate, according to bankers involved in the deal.

Hanson is expected also to renegotiate a £3bn syndicated loan shortly which it signed in 1989 to finance the acquisition of Consolidated Gold Fields.

The loan, which was fully drawn, matures in August 1992. It has a margin of 15 basis points over Libor, rising to 25 basis points if Hanson's debt exceeds its cash.

Benetton advances by 21.3%

By Haig Simonian

BENETTON, the Italian clothing group, raised net group profits by 21.3 per cent to L79.6bn ($63.4m) in the first half of this year from L65.6bn in the same period in 1990.

The increase stemmed from higher sales and increased income from goods produced under licence. Turnover climbed by 10.2 per cent to L1,153bn from L1,046bn in 1990, boosted partly by the continuing growth in the number of Benetton outlets, which have now reached almost 6,400 units.

The company forecast that sales for the year as a whole should grow by between 12 and 15 per cent, implying total turnover of up to L2,370bn, compared with L2,060bn in 1990. Benetton's upper-sector Sisley brand had performed particularly well, with a 30 per cent surge in sales in the first six months of this year.

Overall sales growth had been especially strong in the Far East, with an increase of over 30 per cent. By year-end, Far East sales should account for around 20 per cent of total group turnover. Despite recession in some European countries, sales growth in Europe had been "solid and constant" in the first half, it said.

Increased international coverage and a widening product range remain the group's two motors for growth. Benetton has agreed recently to produce and sell clothing in China, which will also be exported, and to take an equity stake in a new clothing venture in Turkey, where Benetton expects to have 100 outlets by the end of this year. The group is also planning to produce its first line of women's shoes, for sale in Europe.

Spanish technology groups plan merger

CECELSA, a private sector producer of flight simulators and air traffic control systems, plans to integrate its operations with Spain's bigger state-controlled electronics group, Inisel, writes Peter Bruce in Madrid.

The move is widely seen in Spain as a serious attempt to create a company capable of competing internationally for high technology contracts.

The two groups have invited independent auditors to value their assets to determine a final division of shareholdings.

Sales dip 2% at RWE unit

By Christopher Parkes in Bonn

TURNOVER at RWE Energie, the power generating and distribution arm of Germany's RWE energy and industrial conglomerate, dipped 2 per cent to DM16.8bn ($10bn) in the year to June.

Announcing its first results since last year, when RWE split itself into six basic divisions reporting to a central holding organisation, the company yesterday blamed electricity price cuts imposed 12 months ago.

It still produced a surplus of DM238m to remit to its parent compared with the DM178.5m contribution it made in the period from August 1989 to July 1990.

While volume sales of electricity rose 2.2 per cent to more than 125bn kWh, the company had to buy current from France to maintain its position as Germany's leading power supplier. This was the result of lack of capacity at its brown coal power station in Revier and the closure of its nuclear plant at Mülheim-Kärlich.

Steetley slides 72% midway in poor trading

By Andrew Taylor, Construction Correspondent

PRE-TAX profits of Steetley, the UK building materials group and France's biggest producer of aggregates, fell 72 per cent from £49.2m to £13.5m in the six months to the end of June.

Turnover slipped 6.6 per cent to £349.3m. Mr Richard Miles, Steetley's managing director, blamed recession in the construction industry, particularly in the UK and North America, for the decline.

Trading conditions were the worst in half a century, aggravated by a harsh winter in Europe and uncertainty caused by the Gulf war.

A maintained dividend of 5p was just covered by earnings which fell from 19.6p to 5p. Steetley's share price yesterday fell by 39p to close at 290p in London.

Profits from the UK fell two-thirds to £9.6m as demand for aggregates and bricks fell steeply. Steetley is Britain's second largest brick producer, behind London Brick, which is owned by the Hanson group.

Mr David Donne, Steetley's chairman, said: "We do not expect any sustained recovery in the UK until well into next year." The group had shed 1,100 jobs, mostly in Britain, during the past two years.

Interest charges during the first half rose from £8m to £13.5m, partly to meet deferred payments for Steetley's £92.4m acquisition last year of sand, gravel, limestone and ready-mixed concrete businesses around Paris.

French profits declined 23 per cent to £11.2m. The group's biggest overseas expansion has been in France where it controls about 10 per cent of the domestic market for aggregates. Steetley has quarries in Spain where profits fell 45 per cent to £3.7m.

North American profits fell from £7.1m to £1.7m. Canadian quarry operations were affected by the severe recession in Ontario province. US profits were slightly higher thanks to a reduced loss from brick operations.

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Adsteam suffers A$1.57bn net loss

By Kevin Brown in Sydney

THE ADELAIDE Steamship (Adsteam) group, formerly run by Mr John Spalvins, yesterday announced a consolidated net loss of A$1.57bn (US$1.25bn) for the year to June 30, following interim losses of A$1.2bn.

The group, which fired Mr Spalvins and two other directors in December, said most of the second-half loss related to interest payments on debts of A$5.8bn.

The three main companies in the loosely-knit group also made large individual losses. Adelaide Steamship, the flagship company, lost A$1.4bn. David Jones, an upmarket retail chain, lost A$1.4bn, and Tooth and Co., an investment vehicle, lost A$677m.

The difference between the consolidated group loss and the aggregate losses of the associate companies is accounted for by elimination from the consolidated accounts of losses on cross-shareholdings and other inter-company transactions.

Balance sheet details released with the results showed that combined shareholders' equity in the three main companies plus National Consolidated, another associate, had fallen to A$39m from A$1.7bn a year earlier.

However, the group said it had received "substantial" indications of support from its bankers for a complex refinancing plan drawn up by the boards of the individual companies and advisers appointed by the banks.

The group has already spun off a number of retailing assets in the A$235m flotation earlier this year of National Foods, which yesterday reported net profits of A$5.2m for the six months to June 30.

In addition, Pacific Dunlop, the diversified Australian manufacturing group, recently completed a A$352m takeover of Petersville Sleigh, another former Adsteam associate.

Under the refinancing plan, Adelaide Steamship, David Jones and Tooth would receive A$200m from a syndicate of banks to retire existing debt, enabling some smaller banks to end their exposure to the group. The remaining debt will be rolled over in two tiers to June 1996.

The group will pay interest from cash flow on some of the debt, and will issue convertible or redeemable notes against the rest at a rate equivalent to 12 per cent a year.

The result is the second worst ever reported in Australia, exceeded only by a loss of A$2.2bn reported by Bond Corporation for the year to June 1990, which was later restated to A$1.16bn over 15 months.

Ownership battle looms for Nobel

By John Burton in Stockholm

A BATTLE over the ownership of Nobel Industries appeared to be brewing yesterday. A commission of independent specialists appointed by the company's current board raised questions about the circumstances in which Nordbanken took control of the concern from Mr Erik Penser, the board chairman.

The conclusions of the commission, headed by Mr Claude Hankes-Drielsma, the former chairman of Price Waterhouse, could provide Mr Penser with legal arguments for regaining control of Nobel.

Mr Hankes-Drielsma said the commission's task was to explore options facing the current board before the holding of an extraordinary general shareholders' meeting, during which Nordbanken plans to install new board members and gain formal approval for its takeover of Nobel.

Nordbanken yesterday criticised the Nobel board for postponing the scheduled meeting by one month until November 4.

The Nobel board said the delay was necessary to complete the commission report.

Mr Penser in August transferred control of Nobel and Yggdrasil, his private investment company that was the controlling shareholder in Nobel, to Nordbanken after the bank said the companies were unable to fulfil loan guarantees to Gamlestaden, the finance company they jointly controlled, without going bankrupt.

A legal dispute has focused on the terms of the loan guarantee in which Nobel and Yggdrasil promised to maintain an equity/asset ratio of 16 per cent in Gamlestaden.

The banks claim that if the ratio fell below the agreed level, then the two owners would have to inject more capital to maintain it. When the shareholder equity of Gamlestaden was eliminated this year after huge credit losses, the banks said their demand that Nobel inject another SKr2bn into Gamlestaden would bankrupt Nobel.

Nobel argues that the clause only gave the banks the right to suspend future lending to Gamlestaden.

"The legal position with regard to the agreement with Gamlestaden and its banks is unclear," Mr Hankes-Drielsma said.

Moreover, Mr Hankes-Drielsma suggested that if Nobel was required to provide further capital to Gamlestaden, it would not necessarily go bankrupt.

This contradicts a statement earlier this month by Nobel that its only alternatives were to accept bankruptcy or to transfer ownership to Nordbanken in return for further credits.

Mr Hankes-Drielsma said there was a chance that Nobel could avoid bankruptcy by selling some divisions and then seek loans from foreign banks.

Merck acquires 52% holding in Lipha

E. MERCK, the privately-owned German pharmaceuticals and special chemicals company, yesterday emerged as the buyer of a 52 per cent holding in the pharmaceuticals subsidiary of L'Air Liquide, a stock market-listed French industrial gases group, writes David Waller in Frankfurt.

The stake in Société Lyonnaise Industrielle Pharmaceutique SA (Lipha) has been for sale since May this year and is thought to have changed hands for less than FFr3bn ($523.3m).

Neither party would comment on the price paid or on how the transaction is to be financed.

Merck said the joint pharmaceutical sales of the two companies will be about DM3.5bn ($2.1bn) this year. It said that the main rationale for the acquisition was to strengthen its position in a number of important European markets.

The acquisition follows Merck's failure last year to merge with Degussa, a German precious metals and chemicals concern.

Asda seeks refinancing of debt load

By John Thornhill in London

ASDA, the UK's fourth biggest grocery retailer, announced it was urgently renegotiating borrowing arrangements with its banks. It also said it was seeking to raise £357m ($614m) by way of a conditional rights issue.

The company said that it might breach its banking covenants in the absence of such refinancing, with £500m of debt becoming due for repayment within the next year. Total outstanding debt stands at £931.1m.

The rights issue had been widely expected in the financial markets but some of Asda's followers in the City of London were nonetheless alarmed at the extent of the company's financial problems.

Asda is seeking to renegotiate the terms of its short-term borrowing facilities with a syndicate of banks. But it has also agreed to a two-year £200m committed facility with National Westminster Bank and Swiss Bank Corporation, conditional on the success of the rights issue.

The nine-for-10 issue at 35p a share has been underwritten by S.G. Warburg, but is itself dependent on the company renegotiating its short-term borrowing facilities. The brokers for the issue are Warburg Securities and Cazenove.

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This announcement appears as a matter of record only.

BEI EIB

EUROPEAN INVESTMENT BANK

ECU 400,000,000 Floating Rate Notes Due 2001

Issue Price: 100 per cent.

Credito Italiano

Banca Commerciale Italiana
Banca Nazionale del Lavoro
Banco di Napoli
Bayerische Vereinsbank Aktiengesellschaft
Deutsche Bank Capital Markets Limited
Kredietbank International Group
Banca Euromobiliare
Banco Ambrosiano Veneto S.P.A.
Banco di Roma
Cariplo — Milano
Istituto Bancario San Paolo di Torino
Paribas Capital Markets Group

Akros Mercantile spa
Arca Merchant S.p.a.
Banca Popolare di Verona
Banco di Sardegna
Banque Bruxelles Lambert S.A.
Banque Générale du Luxembourg S.A.
Caboto S.p.a.
Compagnie Monégasque de Banque
Credit Suisse First Boston Limited
Dresdner Bank
IBJ International Limited
Istituto Bancario Italiano S.p.a.
LTCB International Limited
NatWest Capital Markets Limited
Rasfin
Sovardino
ABN AMRO
Banca d'America e d'Italia Deutsche Bank Group
Banco di Santo Spirito
Banco di Sicilia
Bankers Trust International Limited
BNP Capital Markets Limited
Crédit Agricole
Crédit Commercial de France
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August 1991

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Barclays de Zoete Wedd was lead manager in the issue of £150,000,000 10 per cent notes due 1997.

SEPTEMBER 1991

HH
Hillsdown Holdings plc

Hillsdown Finance BV

Barclays de Zoete Wedd in New York acted as private placement agent for C$200,000,000 of senior unsecured notes due 1998.

JULY 1991

CARLTON
Communications Plc

Carlton Communications Plc

Barclays de Zoete Wedd in New York acted as private placement agent for US$145,000,000 of senior notes due 2001.

JUNE 1991

British Steel plc

Barclays de Zoete Wedd was lead manager in the issue of £150,000,000 11¾ per cent debenture stock due 2016.

JULY 1991

STORA

Stora Finansforvaltning AB

Barclays de Zoete Wedd in New York acted as private placement agent for US$175,000,000 of senior notes due 2006.

JUNE 1991

ABP ASSOCIATED BRITISH PORTS HOLDINGS PLC

Associated British Ports Holdings PLC

Barclays de Zoete Wedd was lead manager in the issue of £100,000,000 11⅝ per cent bonds due 2011.

JULY 1991

MEPC

MEPC plc

Barclays de Zoete Wedd was joint lead manager in the issue of £150,000,000 12 per cent bonds due 2006.

JUNE 1991

BARCLAYS

Barclays Bank PLC

Barclays de Zoete Wedd in Tokyo acted as private placement agent for £50,000,000 floating rate subordinated bonds due 2001.

JUNE 1991

British Aerospace Public Limited Company

Barclays de Zoete Wedd was lead manager in the issue of £150,000,000 11⅞ per cent bonds due 2008.

APRIL 1991

Caisse Centrale de Coopération Economique

Barclays de Zoete Wedd was lead manager in the issue of £117,000,000 10⅜ per cent guaranteed notes due 2001. The issue is unconditionally guaranteed by The Republic of France.

MARCH 1991

VICTORIAN PUBLIC AUTHORITIES FINANCE AGENCY

Victorian Public Authorities Finance Agency

Barclays de Zoete Wedd in Sydney acted as private placement agent for A$47,000,000 of escalating inscribed stock due 2003.

JANUARY 1991

NORTHWEST AIRLINES

Northwest Airlines Inc.

Barclays de Zoete Wedd in New York and Tokyo acted as private placement agent for US$102,000,000 of secured loan certificates due 2013, for the leveraged lease financing of one Boeing 747-451 aircraft.

JANUARY 1991

A growing strength in primary markets.

BZW

New Issue
October 1991

This announcement appears as a matter of record only.

Offer for Sale

8½% Bearer Bonds of 1991 II (2001)

KfW Kreditanstalt für Wiederaufbau

Kreditanstalt für Wiederaufbau, Frankfurt/Main, issues 8½% Bearer Bonds of 1991 II (2001) in a total amount of

DM 1,250,000,000.–

The net proceeds of this issue will be used for long-term investment loans. DM 1,100,000,000.–, of this amount are offered for sale by the syndicate of banks listed below.

Issue Price:	100.6%
Interest:	8½% p.a., payable annually in arrears on October 1 of each year. The first interest coupon will be due on October 1, 1992 for the period commencing on October 1, 1991. Payments of interest on the Bonds will be subject to the German Income Tax.
Denomination:	DM 100.– or a multiple thereof.
Lifetime/Redemption:	10 years. The Bonds will be redeemed on October 1, 2001 at par. Redemption prior to maturity is excluded.
Ranking as Trust Investments/ Eligibility for Investments by Insurance Companies:	The Bonds rank as trust investments and are eligible for investments by insurance companies, according to the German laws.
Listing:	The Bonds will be admitted for trading and official quotation on the Frankfurt Stock Exchange.
Eligibility as Collateral for Loans by Deutsche Bundesbank ("lombardfähig"):	The Bonds are eligible as collateral for loans by Deutsche Bundesbank ("lombardfähig") upon admittance for trading and official quotation.
Delivery:	The Bondholder receives a Central Deposit Advice from the bank appointed by him. Definitive Bonds will not be available. The Bond issue will be evidenced by a Global Certificate.
Sale:	The Bonds will be offered for sale by the undersigned banks as from October 1, 1991.
Stock Index Number:	276 043 ISI-No.: DE 000 276 043 6

The detailed Offer for Sale is available from the banks. Allotments of Bonds will be at the discretion of the selling banks.

Frankfurt/Main, September 1991

KfW Kreditanstalt für Wiederaufbau

ADCA-Bank Aktiengesellschaft
Allgemeine Deutsche Credit-Anstalt
Amro Handelsbank Aktiengesellschaft
Arab Banking Corporation – Daus & Co. GmbH
Bankhaus H. Aufhäuser
Baden-Württembergische Bank Aktiengesellschaft
Bank für Gemeinwirtschaft Aktiengesellschaft
Bank in Liechtenstein (Frankfurt) GmbH
Bank of Tokyo (Deutschland) Aktiengesellschaft
Bankenunion Frankfurt am Main Aktiengesellschaft
Bankers Trust GmbH
Banque Paribas Capital Markets GmbH
Bayerische Hypotheken- und Wechsel-Bank Aktiengesellschaft
Bayerische Landesbank Girozentrale
Bayerische Vereinsbank Aktiengesellschaft
Berenberg Bank
Berliner Bank Aktiengesellschaft
BHF-Bank
Bankhaus Gebrüder Bethmann
Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –
Chase Bank Aktiengesellschaft
Citibank Aktiengesellschaft
Commerzbank Aktiengesellschaft
Crédit Agricole (Deutschland) Aktiengesellschaft
Crédit Lyonnais SA & Co (Deutschland) oHG
Credito Italiano Bank AG
CSFB-Effectenbank Aktiengesellschaft

Dai-Ichi Kangyo Bank (Deutschland) AG
Daiwa Bank (Deutschland) GmbH
Daiwa Europe (Deutschland) GmbH
Delbrück & Co.
Deutsche Bank Aktiengesellschaft
Deutsche Genossenschaftsbank
und die genossenschaftlichen Zentralbanken
Deutsche Girozentrale – Deutsche Kommunalbank –
Dresdner Bank Aktiengesellschaft
Bankhaus Max Flessa & Co.
Fürst Thurn und Taxis Bank
Albert Fürst von Thurn und Taxis
Fürstlich Castell'sche Bank, Credit-Casse
Fuji Bank (Deutschland) AG
Geestemünder Bank Aktiengesellschaft
Generale Bank & Co.
Bankhaus Hallbaum, Maier & Co. AG
Hamburgische Landesbank – Girozentrale –
Georg Hauck & Sohn Bankiers KGaA
Hessische Landesbank – Girozentrale –
Von der Heydt-Kersten & Söhne
IMI Bank AG
Industriebank von Japan (Deutschland) Aktiengesellschaft
Bankhaus Hermann Lampe Kommanditgesellschaft
Landesbank Berlin – Girozentrale –
Landesbank Rheinland-Pfalz – Girozentrale –
Landesbank Saar – Girozentrale –
Landesbank Schleswig-Holstein – Girozentrale –
Manufacturers Hanover Bank GmbH
Marcard, Stein & Co
Merck, Finck & Co.

B. Metzler seel. Sohn & Co. KGaA
Mitsubishi Bank (Deutschland) GmbH
Mitsui Taiyo Kobe Bank (Deutschland) GmbH
J. P. Morgan GmbH
Morgan Stanley GmbH
National-Bank Aktiengesellschaft
National Westminster Bank AG
Bankhaus Neelmeyer Aktiengesellschaft
The Nikko Securities Co., (Deutschland) GmbH
Nomura Bank (Deutschland) GmbH
Norddeutsche Landesbank Girozentrale
Oldenburgische Landesbank Aktiengesellschaft
Sal. Oppenheim jr. & Cie. KGaA
Bankhaus Reuschel & Co.
Salomon Brothers Aktiengesellschaft
Schmidtbank
Schröder Münchmeyer Hengst & Co
Schwäbische Bank Aktiengesellschaft
Schweizerische Bankgesellschaft (Deutschland) Aktiengesellschaft
Schweizerischer Bankverein (Deutschland) Aktiengesellschaft
Société Générale – Elsässische Bank & Co.
Südwestdeutsche Landesbank Girozentrale
Sumitomo Bank (Deutschland) GmbH
Sumitomo Trust and Banking (Deutschland) AG
Trinkaus & Burkhardt KGaA
Vereins- und Westbank Aktiengesellschaft
M. M. Warburg-Brinckmann, Wirtz & Co.
Westdeutsche Landesbank Girozentrale
Westfalenbank Aktiengesellschaft
Yamaichi International (Deutschland) GmbH

Espirito Santo Financial Holding S.A.

The Espirito Santo Group and its associates recently acquired control over 23 per cent of the shares of Banco Espirito Santo e Comercial de Lisboa in the first stage of its privatization. This marks the return of the Group to its original bank in Portugal which had been nationalized sixteen years ago. During the interim period the Group initially developed its financial activities outside Portugal but more recently has redeveloped its Portuguese position.

The Espirito Santo Group was fortunate to have the support of a considerable number of leading international financial institutions which contributed to the success of its strategy. At this significant point in its history, the Espirito Santo Group is pleased to express its gratitude to

UBS PHILLIPS & DREW SECURITIES LIMITED
UNION BANK OF SWITZERLAND
UBS SECURITIES INC.

KREDIETBANK SA LUXEMBOURGEOISE
SALOMON BROTHERS INTERNATIONAL LIMITED
LEHMANN BROTHERS INTERNATIONAL
MORGAN GRENFELL & CO LIMITED
BHF BANK

CREDIT LYONNAIS CAPITAL MARKETS
IFINT S.A.
CREDIT SUISSE FIRST BOSTON
MORGAN STANLEY INTERNATIONAL
ISTITUTO DI CREDITO DELLE CASSE DI RISPARMIO ITALIANE

RBC Dominion Securities International
Rahn & Bodmer, Bankers, Zurich
Kleinwort Benson Limited
ABN AMRO
Deutsche Bank Capital Markets Limited
Dresdner Bank Aktiengesellschaft
J. Henry Schroeder Wagg & Co. Limited
Svenska Handelsbanken Group
Banco Totta & Açores
Banque Nationale de Paris
The United Bank of Kuwait plc
Cassa di Risparmio de la Provincia di Viterbo
Cassa di Risparmio di Venezia
Cassa di Risparmio di Cuneo

Banca Euromobiliare
Goldman Sachs International Limited
Merrill Lynch International Limited
Daiwa Europe Limited
Dongsuh Securities Co. Limited
N M Rothschild & Sons Limited
S.G. Warburg Securities
Darier Hentsch & Cie
Banco Central Hispano Americano
Banque et Caisse d'Épargne de l'État, Luxembourg
Crédito Predial Português
Cassa di Risparmio de la Provincia di Macerata
Cassa di Risparmio di Bologna
Banco Fonsecas & Burnay S.A.

INTERNATIONAL COMPANIES AND FINANCE

Duracell plans secondary offering of 12m shares

By Nikki Tait in New York

DURACELL, the Connecticut-based battery manufacturer which was taken private in a 1988 leveraged buy-out, is to sell a further 12m shares to investors in a secondary stock offering.

Duracell, which first came to the market in the spring via an initial public offering, conceded yesterday that the new share issue "had come pretty quickly". However, the company claimed that current market conditions were attractive and that it was committed to reducing its debt levels.

Asked if there had been pressure for a secondary offering from Kohlberg Kravis Roberts, the Wall Street firm that masterminded the leveraged buy-out, Duracell said it had been a joint decision.

Of the 12m shares being sold, KKR will contribute 7m; the remaining 5m will be sold by the company. Duracell management – which owns about 6.5 per cent of the equity – will not part with any stock. After the latest stock offering, KKR would still hold a majority stake in Duracell of around 52.5 per cent.

Shares had been sold at $15 each in the initial offer and quickly rose over the $20 mark. Yesterday, the shares were trading at around $28.

Duracell said that its debt-to-capital ratio should fall to around 49.2 per cent after the stock offering. It currently stands at around 55.6 per cent.

The company added that it expected profits for the first quarter of its current financial year to be in line with projections and analysts' expectations.

The company made a $41.2m profit before extraordinary items but after interest in the year to end-June, compared with $5.8m in 1989-90.

Managing underwriters for the offering are Merrill Lynch, Goldman Sachs and Bear Sterns.

GTE considers sale of lighting arm

By Alan Friedman

GTE, which operates the largest non-Bell telephone system in the US, is considering the sale of its electrical products group as part of a strategic review aimed at concentrating on the company's core telecommunications business.

The electrical division – which includes lighting and precision materials – last year made an operating profit of $238m on sales of $2.3bn. Consolidated 1990 net income was $1.7bn on total revenues of $21.4bn.

Mr James "Rocky" Johnson, GTE chairman and chief executive, said the company had determined that "our future growth, profitability and enhancement of shareholder value lie within the telecommunications industry".

Mr Johnson cited GTE's recent $6bn merger with Atlanta-based Contel as part of the new telecoms focus. The deal, approved last spring, created the largest US-based local exchange telephone company, with 18.6m access lines.

Together with the acquisition of the cellular properties of the Providence Journal, the Contel deal also made GTE the second biggest cellular telephone operator in the US. Mr Johnson said these businesses would benefit from the company's more focused strategy.

GTE has retained Goldman Sachs and Merrill Lynch to help evaluate and package the electrical products division for possible sale. The division includes the Sylvania brand of lamps, fixtures and components.

Yesterday's announcement was not the first time GTE had indicated a desire to divest itself of non-telecoms businesses. The company has already sold off its consumer communications and PBX businesses, and for some time has planned to concentrate on the telecoms service sector rather than on the hardware side.

Walt Disney sees lower income from theme parks

By Alan Friedman in New York

DECLINING attendance at Walt Disney theme parks caused an estimated 28 to 30 per cent drop in operating income over the past three months in the US entertainment group's resorts and theme parks division.

Mr Richard Nanula, the recently-named chief financial officer of Disney, said yesterday that he expected the division's operating profit in the quarter to end-September to be $170m to $175m, down sharply from $242.3m in the year-earlier period.

Mr Nanula, who spoke to analysts attending Disney's anniversary festivities in Florida, forecast earnings per share of $1.28 to $1.33 in the quarter just ended, against $1.72 a year ago. He said the decline would mean a 23 to 26 per cent drop in fourth-quarter net income, which stood at $232.7m a year ago.

For the whole of Disney's 1990-91 financial year, Mr Nanula said earnings would be down by around 20 per cent from last year's $824m. He stressed that the forecast was preliminary.

Mr Nanula said theme park attendances had been hurt recently by the Gulf war, the US recession, weak domestic and international travel and flagging consumer confidence.

Wall Street yesterday morning reacted to the profit forecasts by marking Disney's share price $¾ lower to $113¾.

Blackstone agrees to buy Days Inn system

By Nikki Tait

DAYS Inn, the third largest hotel chain in the US, is filing for protection under Chapter 11 of the US bankruptcy code and has proposed the sale of its franchise system to Blackstone Capital Partners, part of the Blackstone investment banking group, for $250m.

For Blackstone, the deal mirrors a transaction last year with Prime Motor Inns. At that time, Blackstone paid around $170m for interests in the Ramada and Howard Johnson franchise systems. Prime also had sought Chapter 11 bankruptcy protection.

The latest deal – which is subject to bankruptcy court approval and the absence of better bids – underlines the continuing problems faced by the US lodging industry. Quoted groups, such as Marriott and Hilton Hotels, have seen their profits tumble in the first half of the year and warned that there would be little improvement in the second six months. Occupancy rates have fallen, and in a saturated market there has been little scope for raising prices.

Blackstone said yesterday that the deal would give it franchise agreements with around 1,250 Days Inns hotels as well as use of the trademark and rights to the reservations system. (Most of the hotels are owned independently by franchisees.)

As a result, Blackstone – via Hospitality Franchise Systems, a subsidiary of Blackstone Capital Partners – would become the world's largest hotel franchisor with over 2,300 units and 285,000 rooms.

The investment banking company added that the purchase price would be supplied by its own $800m investment fund along with financial partners, but declined to provide further details. The deal does not cover Days Inns' own mortgage portfolio or existing hotel management contracts.

Footwork International to acquire Harry W Hamacher

By Stefan Wagstyl in Tokyo

FOOTWORK International, a rapidly expanding Japanese transport group, yesterday announced plans to buy Harry W Hamacher, a German transport company.

Footwork will pay DM100m ($60.8m) cash for Hamacher, Germany's largest independent transport operator with 2,000 employees and an extensive European network.

Mr Wataru Ohashi, the Footwork chairman, said the acquisition was an important step in the Japanese group's international expansion. The company plans future investments in southern Europe and in North America to complement its existing businesses in Asia.

Led by the flamboyant Mr Ohashi, Footwork has invested in a range of businesses – including restaurants, fashion shops, and property and resort development. However most of Footwork's sales and profits comes from transport.

Footwork International last year recorded sales of Y18.36bn ($137.2m) and pre-tax profits of Y1.43bn. It has made two other foreign acquisitions – buying controlling stakes in the Steigenberger Hotel in Berlin and in David Morris, the upmarket UK jeweller.

Southwest Airlines offers deal for Midway assets

SOUTHWEST Airlines, the Dallas-based regional carrier regarded as one of the few bright spots in the US aviation industry, is offering to buy certain assets and provide loan finance to Midway Airlines, the bankrupt Chicago-based carrier, writes Nikki Tait.

Under the Southwest offer, the airline would buy 10 gates at Midway airport, Chicago's second largest, from the bankrupt carrier for $10m and then sublease some of these back to Midway Airlines.

Southwest would also lend Midway $20m, to be repaid over five years and secured on other Midway airport assets. In the third part of the deal, Southwest would enter negotiations to reach a joint marketing agreement with Midway.

The Texan airline already operates some flights to Midway airport and has been seen as a possible viable low-cost competitor to industry giants such as United and American.

Compass posts A$10m loss

COMPASS Holdings, the only airline to have entered the Australian aviation market since deregulation a year ago, has announced a net loss of A$10.3m (US$8.2m) for the year to end-June, writes Kevin Brown in Sydney.

The result contrasted with forecast profits of A$20m when Compass raised A$65m through a flotation on the Australian Stock Exchange in 1990.

However, Mr David Rice, chairman, said the airline was now operating profitably. He forecast a "much improved" result for the current year.

Compass said revenue had been limited to A$71m, compared with the prospectus forecast of A$154m, because of capacity restrictions caused by a four-month delay in acquiring its fourth aircraft.

The delay inhibited the airline's ability to service business passengers in the eastern states – its target market – and forced it to cut fares to attract discretionary travellers.

● Air New Zealand reported a fall in net profits to NZ$54m (US$30.7m) for the 15 months to June 30, compared with a profit of NZ$101m in the 12 months to March 31 1990, AP-DJ reports from Auckland. Revenue totalled NZ$2.44bn, compared with NZ$1.90bn.

Notice to Holders of the Notes and Bonds referred to below

INTER-AMERICAN DEVELOPMENT BANK

U.S. $100,000,000
11% Bonds due 11 December, 1992
U.S. $150,000,000
12¾% U.S. Dollar Notes of 1984, due 7 November, 1991
U.S. $150,000,000
10⅛% Notes due 1995
U.S. $200,000,000
9⅝% Notes due 1995
U.S. $200,000,000
7⅜% Notes due 1996
U.S. $300,000,000
9½% Bonds due 2000
U.S. $300,000,000
8⅞% Bonds due 1995
¥30,000,000,000
7¼ per cent. Notes due 2000
¥30,000,000,000
6⅞ per cent. Notes due 2001
¥35,000,000,000
7 per cent. Notes due 1996

Following the closure of Inter-American Development Bank's representative office in London, notice is hereby given pursuant to the terms and conditions of each of the above Notes and Bonds of the appointment of Freshfields as a substitute process agent acting through its principal London office, presently at Whitefriars, 65 Fleet Street, London EC4Y 1HS, to accept service of any writ, judgment or other process in connection with proceedings in England concerning any of the Notes and Bonds referred to above.

Inter-American Development Bank
1st October, 1991

U.S. $100,000,000
Floating Rate Subordinated Loan Participation Certificates due 2000

Issued by
The Nikko Securities Co. (Deutschland) GmbH
for the purpose of funding and maintaining a subordinated loan to

The Ashikaga Bank, Ltd.

Notice is hereby given that for the three months Interest Period from 30th September, 1991 to 30th December, 1991 the Certificates will carry a Coupon Rate of 5.85% per annum.

Coupon payable on 30th December, 1991 will amount to U.S. $1,478.75 per U.S. $100,000 Certificate.

The Mitsubishi Bank, Limited
London Branch
As Agent Bank

Cardiff Automobile Receivables Securitisation (UK) plc

£328 million Floating Rate Notes Due 1995

In accordance with the provisions of the Notes, notice is hereby given that for the interest period from 27th September, 1991 to 27th December, 1991 the Notes will carry interest at the rate of 10.5625 per cent per annum.

Interest payable on 27th December, 1991 will amount to £263.34 on each £10,000 Note.

Chartered WestLB Limited
Agent Bank

This announcement appears as a matter of record only.

ASHANTI GOLDFIELDS CORPORATION (GHANA) LIMITED

has entered into a long-term structure for gold hedging arrangements with

Union Bank of Switzerland
J. Aron & Co. (UK) Limited
Mocatta and Goldsmid

The undersigned assisted in the negotiations and acted as financial adviser to Ashanti Goldfields Corporation (Ghana) Limited.

International Finance Corporation

September, 1991

INTERNATIONAL COMPANIES AND FINANCE

ANI blames recession for 31.7% drop to A$78m

By Kevin Brown in Sydney

AUSTRALIAN National Industries (ANI), a heavy engineering group, blamed the recession for a 31.7 per cent fall in equity accounted net profits to A$78m (US$62m) for the year to the end of June.

Mr Max Sandow, chairman, said there had been no increase in demand for the group's products in the first three months of the current year, but forecast improvement in the second half.

"We hear the odd comment in our industry that we are nearing the bottom, but we have not seen any significant... signs of bottoming and then lifting up," Mr Sandow said.

He said the group expected to "come pretty close" to last year's performance over the full year.

ANI, which is 30 per cent owned by Consolidated Press Holdings, Mr Kerry Packer's privately-owned master company, said sales fell by 30 per cent to A$1.3bn, mainly because of falling demand in the distribution and services sectors, and the disposal of operations.

The manufacturing division performed better than last year, but the improvement was insufficient to counteract the effects of the downturn on the rest of the group.

"The recessionary conditions experienced in Australia, the UK and US during the year brought about some of the most difficult trading conditions ever experienced," Mr Sandow said.

The group said a restructuring programme begun in 1989-90 was nearing completion and had reduced costs by about A$45m a year. Net debt was cut by A$68m to A$87m including A$52m of convertible notes redeemable in 1996.

The group made no provisions against claims for damages totalling A$400m relating to its involvement with the collapsed Spedley group of companies.

"ANI denies both claims strenuously and has been advised by senior queen's counsel that it has strong prospects of successfully defending both," the company said. ANI wrote off a A$236m investment in Spedley two years ago.

Mr Sandow said the group was well placed to make a big acquisition but had no target in sight.

"The low gearing level gives the group the ability to take advantage of any investment opportunities which [would] allow our existing businesses to increase market share and improve profitability," he said.

The directors maintained the final dividend at 6 cents ashare, fully franked, maintaining the total dividend at 11.3 cents.

Santos slump surprises market

By Kevin Brown

SANTOS, the Australian oil and gas producer, surprised the market with a 21 per cent slump in net profits to A$35m (US$27.8m) for the first half to June 30. The result was well below forecasts of about A$50m.

Mr Ross Adler, managing director, said the result was caused by a fall in sales revenue from A$296mm to A$291m, a strike in June, and higher tax and depreciation costs. The company said it expected sales to improve in the second half because of higher gas sales and the inclusion of sales delayed from the first half.

Mr Adler said the strike, at the Cooper/Eromanga basin in South Australia, reduced net profit by A$10m, half of which would be recovered through deferred sales.

Full-year production of gas and oil would fall to 34m barrels of oil equivalent from 36m last year. The group had forecast production of 35m barrels.

Mr Adler said the outlook for oil prices in the second half was uncertain because of the potential effect of Kuwaiti and Iraqi production and the northern hemisphere winter. The price for Cooper Basin gas, which accounts for about 90 per cent of gas sales, increased by 6.5 per cent on July 1.

Santos said its tax bill increased to A$42.3m, compared with A$40.2m in the comparable period of last year, because of an increase of A$7.5m in royalty payments and resource rent taxes.

Depreciation charges increased by A$11.7m to A$92m, and unrealised foreign exchange losses increased from A$1.4m to A$4.3m. The group said a debt reduction programme cut its interest bill by 36 per cent to A$47.9m.

The interim dividend was maintained at 9 cents.

ACIL reduces losses to A$108m

By Kevin Brown

AUSTRALIAN Consolidated Resources (ACIL), reported a reduced loss of A$108m (US$85.9m) for the year to the end of June, compared with a loss of A$329m for the previous year.

ACIL, formerly Bell Resources, lost only A$17.6m in the second half, indicating that it is returning to profitability after its association with Mr Alan Bond's failed Bond Corporation Holdings.

The company's main asset is a half-share in National Brewing Holdings (NBH), formerly Bond Brewing, which makes XXXX, Swan and Tooheys lagers. NBH is jointly-owned with Lion Nathan of New Zealand. ACIL said the loss was mainly attributable to abnormal losses, including write-downs of A$137m in debts due from Bond Corporation, and a further A$3.4m against its investment in Bell Group.

The group is owed A$470m by Bond Corp, of which A$168m is secured under a scheme of arrangement which will transfer control of the group to European creditors.

ACIL said in August that it expected to improve on its first-half loss of A$90.6m. However, Mr Geoff Hill, chairman, said the company had since received a tax assessment of A$37.6m, which was higher than expected.

Sales revenue for the period was A$30.7m, but the group also reported other operating revenue of A$252m, including the proceeds of the sale of its 31 per cent holding in Nine Network, the television station controlled by Mr Kerry Packer. The group said it made a profit of A$22m on the A$170m sale.

● Weeks Petroleum, a 96 per cent subsidiary, contributed a profit of A$4.9m to the group result compared with a loss of A$45m in the previous year. The company has issued a notice of compulsory acquisition of the minority shareholdings in Weeks.

The directors said there would be no dividend on either ordinary or cumulative convertible preference shares in view of the result.

Bond Corp write-downs contribute to A$642m loss

BOND Corporation Holdings, the failed Australian group formerly run by Alan Bond, yesterday reported a loss of A$642m (US$510.3m) for the financial year to the end of June, writes Kevin Brown.

The loss was accumulated over a shortened nine-month accounting period. Bond Corp reported a record loss of A$2.2bn for the 12 months to June 1990, but the loss was reduced to A$1.16bn over 15 months after the completion of the sale of the group's Australian Breweries.

Bond Corp said the loss in the latest period was caused by write-downs on the book value of assets, deconsolidation of subsidiaries, and accrued interest on unsecured debt.

However, the group said the result was not expected to affect the progress of a scheme of arrangement under which control will pass to European creditors as part of a debt for equity swap.

Mr Bond, who resigned as chairman a year ago after pressure from creditors, will emerge with less than 5 per cent of Bond Corp. He is facing criminal charges relating to share dealing, and is likely to face bankruptcy proceedings shortly.

Bond Corp said sales revenue fell to A$339m, mostly accounted for by asset sales, compared to A$9bn in the 15 months to October.

The group's investments in G. Heileman Brewing in the US and Bell Group in Australia were written down to zero, but the board retained the carrying value of A$197m of an investment in a failed petrochemical project which was to have been developed jointly with the Western Australian state government.

The directors said they were confident that a legal action begun by the group would succeed in recovering the entire investment.

The group also made no provision against a claim by the Western Australia state government over a disputed indemnity agreement relating to share dealing in Bell Group. It said it was confident that legal proceedings would lead to the indemnity being declared invalid.

Bond Corp said it had made provisions against A$91m in loans to Mr Bond's private company, Dallhold Investments, which is in receivership. The group's investment in British Sky Broadcasting, the UK satellite television operator, was written down to a nominal value, resulting in a loss of A$133m.

MINISTERIO DE AGRICULTURA Y CRIA — INSTITUTO NACIONAL DE HIPODROMOS — fondo de inversiones de venezuela

PRIVATIZATION PROCESS

"EL POLIEDRO DE CARACAS"

(CARACAS CIVIC AND ENTERTAINMENT CENTER)

OPENING OF REGISTRATION FOR INTERESTED PARTIES

The Fondo de Inversiones de Venezuela (FIV), acting as the promotion and coordination agency of the Venezuelan Government for the Privatization of the INSTITUTO NACIONAL DE HIPODROMOS (I.N.H.) and in accordance with the agreement subscribed on the 08/27/91 between the two institutions, informs local and foreign investors the opening of a registry for interested parties and the prequalification process for the acquisition and operation of:

"EL POLIEDRO DE CARACAS"

This entertainment and cultural complex, consisting of a circular building forming a Fuller geodesic dome and surrounding parking areas, was built in 1973 and designed as a multipurpose civic events center. It has a capacity of 12.128 movable seats and an arena with a radius of 29,5 meters, acoustic and lighting equipment. Additionally, the structure contains a theatre/convention hall with 129 seats, simultaneous translation booths, three conference rooms, offices, commercial spaces and a presidential suite.

1.- Interested parties shall express in writing their intention to participate in the process no later than October 31st, 1991 to the office of the Privatization Manager of the Fondo de Inversiones de Venezuela.

2.- Expressions of interest must include the following information:
   a) In the case of a firm or a consortium: Copy of the By laws or partnership agreement, company's annual reports and financial statements for the past three years, duly audited by certified public accountants.
   b) In the case of non-incorporated investors: Name, Nationality, profession, place of residence, duly certified personal balance sheet.

3.- To be part of the registry interested parties should comply with the following requirements:
   a) Provide evidence of experience and strengths in the area of promoting public entertainment, cultural and leisure activities and/or the operation of premises associated with this business, for a period of two years or more.
   b) Demonstrate a net worth above 160 million of venezuelan bolivars and/or gross revenues above 250 million of venezuelan bolivars.
   c) Certify to have no liabilities with the Venezuelan State.

3.- The Fondo de Inversiones de Venezuela, the Instituto Nacional de Hipódromos and the Ministerio de Agricultura y Cría will review the documentation and credentials received and will announce the results of the prequalification process in due course in the international and local press media. The prequalified investor will be informed of the necessary procedures to follow and operation conditions to meet in the subsequent Privatization Process.

For additional information, contact the Coordination for Privatization of "Instituto Nacional de Hipódromos", Gerencia de Privatizacion del Fondo de Inversiones de Venezuela, esquina de Mijares, Torre Banco Lara, Piso 5, Caracas - Venezuela, telephones 81.94.22, 81.94.29, Fax Nº 83.91.69, 801.07.99. TELEX FIVEN 22890, 26529.

CANAL+

CANAL+ REPORTS STRONG GROWTH IN INTERIM EARNINGS

(Paris: September 20, 1991) CANAL+, France's leading pay-television network, said today that its net income after minority interests but before nonrecurring gains rose by 8.5 percent in the first six months of 1991. After nonrecurring gains, which primarily include a FF 146 million exceptional gain on the issue of new Studio CANAL+ shares, net income after minority interests rose by 40.8 percent over the period.

Income growth was achieved despite FF 210 million in charges related to new international and cable operations accounted for by the equity method. Successful marketing programs in Spain, Germany and Belgium, where subscriber bases are expanding by around 15,000 subscriptions a week, will help reduce the foreign units' expenses in the second half.

CONSOLIDATED FIRST-HALF 1991 RESULTS

(FF millions)	June 30, 1991	June 30, 1990	% Change
Revenues:			
• subscriptions	2,863	2,543	+12.6
• Advertising and sponsoring	160	155	+ 3.2
• other	453	408	+11.0
Total revenues	3,476	3,106	+11.9
Operating income	1,063	937	+13.4
Net interest income (expense)	13	(24)	nm
Equity in losses of associated companies	(210)	(72)	+192.8
Net income after minority interests but before nonrecurring gains	560	516	+8.5
Net income after minority interests and nonrecurring gains	710	504	+40.8

Domestic business continues to enjoy satisfactory growth. By December 31, 1991, the subscriber base is expected to exceed 3,350,000, with around 550,000 new subscribers and 200,000 cancellations.

On this basis, annual subscription revenues will approach FF 5.8 billion, an 11.5 percent increase over 1990. Second half growth in advertising revenue should exceed that of the first half to reach five percent for the entire year. According to sales estimates for consolidated subsidiaries, total 1991 consolidated revenues will total FF 6.9 billion, a 12.5 percent improvement over 1990.

Due to the large capital gain realized on Studio CANAL+, the company will probably report less interest income this year than in 1990, and thereby allow its reserve of unrealized interest to grow back to 1989 levels. Under these circumstances, consolidated net income should increase by around 15 percent.

EUROFI

Simmer and Jack Mines Limited

(Incorporated in the Republic of South Africa)
Registration number 01/27778/06

Directors: C C Mumby (Chairman), H A McNeil, W Sauner, W N B Imrie (British), M McCheaney

Audited group results

Abridged income statement for the eighteen month period ended 30 June 1991

	30 June 1991 (18 months) R'000	31 December 1989 (12 months) R'000
Turnover	9 158	6 141
Operating (loss) income	(1 035)	3 599
Exploration costs written off	3 658	–
Net operating (loss) income	(4 693)	3 599
Net interest received (paid)	1 666	(977)
Interest received	5 712	971
Interest paid	(4 046)	(1 948)
(Loss) Income before taxation	(3 027)	2 922
Taxation	453	488
(Loss) Income after taxation	(3 480)	2 434
Extraordinary item	–	814
Retained income at beginning of period	13 056	10 108
Retained income at end of period	9 576	13 056
Shares in issue ('000)	27 000	8 750
(Loss) Earnings per share (cents) (weighted average)	(35,76)	31,61

Abridged balance sheet at 30 June 1991

Capital employed		
Share capital and premium	39 354	154
Non distributable reserves	10 878	5 383
Retained income	9 576	13 056
Long term loans	187	9 000
	59 995	27 573
Employment of capital		
Investments and fixed assets	10 416	18 450
Mining assets	50 742	–
Cash on call, at bank and on deposit	5 938	9 830
Current assets	6 603	3 971
Current liabilities	(13 705)	(4 678)
	59 995	27 573
Net tangible asset value per share (cents)	224,81	275,16

Comments

The group has continued with its policy of seeking to expand its activities outside its traditional areas of engagement.

Due to depressed conditions in commodity markets, the board has deemed it prudent to write off all exploration expenditure on non gold mining projects.

Turnover comprises royalties, rentals and other sundry income and includes gold sales from the Eastern Transvaal mines.

The further development of certain of the Eastern Transvaal gold mines has been curtailed due to the depressed conditions in the gold mining industry.

The Simmergo joint venture arrangements with East Rand Gold and Uranium Company Limited (ERGO) were satisfactorily terminated at the end of the financial period.

Shortly after the date of the balance sheet, certain slimes dams were disposed of to ERGO for a consideration totalling R17,9 million settled by the issue of ERGO "S" ordinary shares.

No dividend has been recommended for payment to shareholders.

By order of the board

C C Mumby (Director)
W N B Imrie (Director)

24 September 1991

Registered office
5th Floor, Southern Life Gardens
3 Gwen Lane
Sandton, 2146
South Africa

Transfer secretaries
Mercantile Registrars
34 President Street
Johannesburg, 2001
South Africa

Transfer secretaries
Barclay's Registrars Limited
6 Greencoat Place
London SW1 1PL
United Kingdom

New Issue
Closing October 1, 1991

This announcement appears as a matter of record only.

DAIMLER-BENZ NORTH AMERICA CORPORATION

New York, New York, U.S.A.

U.S.$ 250,000,000
8% Bonds of 1991, due 1998

unconditionally and irrevocably guaranteed by

DAIMLER-BENZ AKTIENGESELLSCHAFT

Deutsche Bank Capital Markets Limited — Credit Suisse First Boston Limited

Commerzbank Aktiengesellschaft — Dresdner Bank Aktiengesellschaft — Goldman Sachs International Limited

Merrill Lynch International Limited — J.P. Morgan Securities Ltd. — Morgan Stanley International

UBS Phillips & Drew Securities Limited

Kleinwort Benson Limited

KLEINWORT BENSON FINANCE B.V.
US $150 million Floating Rate Notes 1996
(US $100,000,000 having been issued as the Initial and Sole Tranche)
of
KLEINWORT BENSON GROUP Plc
(formerly Kleinwort Benson Lonsdale Plc)
(which was substituted for Kleinwort Benson Finance B.V. as the principal debtor on 15th March 1985)
For the six months 30 September 1991 to 31 March 1992 the Notes will carry a Rate of Interest of 5⅞ per cent per annum with a Coupon Amount of US $298.65.
CHEMICAL BANK
Agent Bank

THE STARS PROGRAMME
STARS 1 PLC
£475,000,000 Class A Floating Rate Mortgage Backed Securities 2029

Notice is hereby given that the Rate of Interest has been fixed at 10.6625% and that the interest payable on the relevant Interest Payment Date December 27, 1991 against Coupon No. 4 in respect of £10,000 nominal of the Notes will be £265.83.

October 1, 1991, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank
CITIBANK

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, September 30, 1991 . In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	56.6172	34.048	42.6423
Albania	(Lek)	10.2230	5.8317	3.507	4.3922
Algeria	(Dinar)	30.31	17.2903	10.3979	13.0225
Andorra	(Fr Fr)	9.9250	5.6617	3.4048	4.2642
	(Sp Peseta)	184.15	105.048	63.1732	79.1192
Angola	(Kwanza)	103.40	58.9845	35.4716	44.4253
Antigua	(E Carr $)	4.7275	2.6968	1.6217	2.0311
Argentina	(Austral)	17357.35	9901.51	5954.49	7457.51
Aruba	(Florin)	3.1345	1.788	1.0753	1.3467
Australia	(Aus $)	2.1880	1.2481	0.7506	0.94
Austria	(Schilling)	20.495	11.6913	7.0308	8.8055
Azores	(Port Escudo)	252.10	143.811	86.4837	108.314
Bahamas	(Bahama $)	1.7530	1	0.6013	0.7531
Bahrain	(Dinar)	0.6609	0.377	0.2267	0.2839
Balearic Is	(Sp Peseta)	184.15	105.048	63.1732	79.1192
Bangladesh	(Taka)	63.88	36.4403	21.9142	27.4457
Barbados	(Barb $)	3.5220	2.0091	1.2082	1.5132
Belgium	(Belg Fr)	60.00	34.227	20.5831	25.7787
Belize	(B $)	3.5020	1.9977	1.2013	1.5046
Benin	(CFA Fr)	496.25	283.086	170.24	213.212
Bermuda	(Bermudian $)	1.7530	1	0.6013	0.7531
Bhutan	(Ngultrum)	45.05	25.6988	15.4545	19.3555
Bolivia	(Boliviano)	6.3910	3.6457	2.1924	2.7458
Botswana	(Pula)	3.7075	2.1149	1.2718	1.5929
Brazil	(Cruzeiro)	807.26	460.502	276.933	346.836
Brunei	(Brunei $)	2.9480	1.6816	1.0113	1.2665
Bulgaria	(Lev)	31.014	17.6919	10.6394	13.325
Burkina Faso	(CFA Fr)	496.25	283.086	170.24	213.212
Burma	(Kyat)	10.5879	6.0398	3.6322	4.549
Burundi	(Burundi Fr)	349.50	199.373	119.897	150.161
Cambodia	(Riel)	1400.80	799.087	480.549	601.847
Cameroon	(CFA Fr)	496.25	283.086	170.24	213.212
Canada	(Canadian $)	1.9815	1.1303	0.6797	0.8513
Canary Is	(Sp Peseta)	184.15	105.048	63.1732	79.1192
Cp. Verde	(CV Escudo)	130.45	74.4152	44.7512	56.0472
Cayman Is	(CI $)	1.4535	0.8291	0.4986	0.6244
Cent.Afr. Rep	(CFA Fr)	496.25	283.086	170.24	213.212
Chad	(CFA Fr)	496.25	283.086	170.24	213.212
Chile	(Chilean Peso)	624.90	356.475	214.374	268.485
China	(Renminbi Yuan)	9.3333	5.3241	3.2018	4.01
Colombia	(Col Peso)	1090.75	622.219	374.185	468.636
Comoros	(CFA Fr)	496.25	283.086	170.24	213.212
Congo (Brazz)	(CFA Fr)	496.25	283.086	170.24	213.212
Costa Rica	(Colon)	227.28	129.652	77.9691	97.6498
Côte d'Ivoire	(CFA Fr)	496.25	283.086	170.24	213.212
Cuba	(Cuban Peso)	2.3390	1.3342	0.8024	1.0049
Cyprus	(Cyprus £)	0.8035	0.4583	0.2756	0.3452
Czechoslovakia	(Koruna)	51.78c	29.5379	17.7632	22.247
		49.95t	28.494	17.1355	21.4607
Denmark	(Danish Kroner)	11.2425	6.4132	3.8567	4.8302
Djibouti Rep	(Djib Fr)	303.00	172.847	103.945	130.183
Dominica	(E Carrib $)	4.7275	2.6968	1.6217	2.0311
Dominican Rep	(D Peso)	22.3075	12.7253	7.6526	9.5843
Ecuador	(Sucre)	1939.15o	1106.19	665.232	833.147
		1973.95a	1126.04	677.17	848.099
Egypt	(Egyptian £)	5.80	3.3086	1.9897	2.4919
El Salvador	(Colon)	14.0305	8.0037	4.8132	6.0281
Equat'l Guinea	(CFA Fr)	496.25	283.086	170.24	213.212
Ethiopia	(Ethiopian Birr)	3.5920	2.049	1.2322	1.5432
Falkland Is	(Falk £)	1.00	0.5704	0.343	0.4296
Faroe Is	(Danish Kroner)	11.2425	6.4132	3.8567	4.8302
Fiji Is	(Fiji $)	2.5536	1.4567	0.876	1.0971
Finland	(Markka)	7.0970	4.0484	2.4346	3.0491
France	(Fr)	9.9250	5.6617	3.4048	4.2642
Fr. Cty/Africa	(CFA Fr)	496.25	283.086	170.24	213.212
Fr. Guiana	(Local Fr)	9.9250	5.6617	3.4048	4.2642
Fr. Pacific Is	(CFP Fr)	178.00	101.54	61.0634	76.4769
Gabon	(CFA Fr)	496.25	283.086	170.24	213.212
Gambia	(Dalasi)	15.8625	9.0487	5.4416	6.8152
Germany	(D-Mark)	2.9150	1.6628	1	1.2524
Ghana	(Cedi)	657.375	375	225.515	282.438
Gibraltar	(Gib £)	1.00	0.5704	0.343	0.4296
Greece	(Drachma)	324.175	184.926	111.209	139.28
Greenland	(Danish Krone)	11.2425	6.4132	3.8567	4.8302
Grenada	(E Carr $)	4.7275	2.6968	1.6217	2.0311
Guadaloupe	(Local Fr)	9.9250	5.6617	3.4048	4.2642
Guam	(US $)	1.7530	1	0.6013	0.7531
Guatemala	(Quetzal)	8.7765	5.0065	3.0108	3.7707
Guinea	(Fr)	1085.60a	619.281	372.419	466.423
		525.30u	299.658	180.206	225.693
Guinea-Bissau	(Peso)	1138.15	649.258	390.446	489.001
Guyana	(Guyanese $)	222.35	126.84	76.2778	95.5336
Haiti	(Goude)	8.7560	5	3.0034	3.7615
Honduras	(Lempira)	9.3230	5.3183	3.1982	4.0055
Hong Kong	(HK $)	13.5515	7.7304	4.6488	5.8223
Hungary	(Forint)	129.92	74.1129	44.5694	55.8195
Iceland	(Icelandic Krona)	104.70	59.7261	35.9176	44.9838
India	(Indian Rupee)	45.05	25.6988	15.4545	19.3555
Indonesia	(Rupiah)	3448.05	1966.94	1182.86	1481.44
Iran	(Rial)	115.70	66.0011	39.6912	49.7099
Iraq	(Iraqi Dinar)	0.5936	0.3386	0.2036	0.255
Irish Rep	(Punt)	1.0925	0.6232	0.3747	0.4693
Israel	(Shekel)	4.1250	2.3531	1.415	1.7722
Italy	(Lira)	2179.75	1243.44	747.77	936.52
Jamaica	(Jamaican $)	27.60	15.7444	9.4682	11.8582
Japan	(Yen)	232.75	132.772	79.8456	100
Jordan	(Jordanian Dinar)	1.1922	0.68	0.4089	0.5122
Kenya	(Kenya Shilling)	50.05	28.551	17.1698	21.5037
Kiribati	(Australian $)	2.1880	1.2481	0.7506	0.94
Korea North	(Won)	1.6985	0.9689	0.5826	0.7297
Korea South	(Won)	1295.75	739.161	444.511	556.713
Kuwait	(Kuwaiti Dinar)	0.5005	0.2855	0.1716	0.215
Laos	(New Kip)	1225.70	699.201	420.48	526.617
Lebanon	(Lebanese £)	1562.80	891.5	536.123	671.45
Lesotho	(Maloti)	4.9065	2.7989	1.6831	2.108
Liberia	(Liberian $)	1.7530	1	0.6013	0.7531
Libya	(Libyan Dinar)	0.4992	0.2847	0.1712	0.2144
Liechtenstein	(Swiss Fr)	2.5400	1.4489	0.8713	1.0912
Luxembourg	(Lux Fr)	60.00	34.227	20.5831	25.7787
Macao	(Pataca)	14.0170	7.996	4.8085	6.0223
Madagascar	(MG Fr)	2291.75	1307.33	786.192	984.64
Madeira	(Port Escudo)	252.10	143.811	86.4837	108.314
Malawi	(Kwacha)	4.8855	2.7869	1.6759	2.099
Malaysia	(Ringgit)	4.7890	2.7318	1.6428	2.0575
Maldive Is	(Rufiya)	17.8165	10.1634	6.112	7.6547
Mali Rep	(CFA Fr)	496.25	283.086	170.24	213.212
Malta	(Maltese £)	0.5670	0.3234	0.1945	0.2436
Martinique	(Local Fr)	9.9250	5.6617	3.4048	4.2642
Mauritania	(Ouguiya)	148.82	84.8944	51.0531	63.9398
Mauritius	(Maur Rupee)	27.70	15.8014	9.5025	11.9011
Mexico	(Mexican Peso)	5357.82a	3056.37	1838.02	2301.96
		5336.70d	3044.32	1830.77	2292.89
Miquelon	(Local Fr)	9.9250	5.6617	3.4048	4.2642
Monaco	(French Fr)	9.9250	5.6617	3.4048	4.2642
Mongolia	(Tugrik)	73.5420	41.952	25.2288	31.5969
Montserrat	(E Carr $)	4.7275	2.6968	1.6217	2.0311
Morocco	(Dirham)	15.63	8.9161	5.3619	6.7153
Mozambique	(Metical)	2892.75	1650.17	992.367	1242.86
Namibia	(S A Rand)	4.9065	2.7989	1.6831	2.108
Nauru Is	(Australian $)	2.1880	1.2481	0.7506	0.94
Nepal	(Nepalese Rupee)	74.9430	42.7512	25.7094	32.1989
Netherlands	(Guilder)	3.2850	1.8739	1.1269	1.4113
N'nd Antilles	(A/Guilder)	3.1345	1.788	1.0753	1.3467
New Zealand	(NZ $)	3.0875	1.7612	1.0591	1.3265
Nicaragua	(Gold Cordoba)	8.7580	4.9942	3.0034	3.7615
Niger Rep	(CFA Fr)	496.25	283.086	170.24	213.212
Nigeria	(Naira)	18.82	10.7358	6.4562	8.0859
Norway	(Nor. Krone)	11.40	6.5031	3.9108	4.8979
Oman	(Rial Omani)	0.6749	0.3849	0.2315	0.2899
Pakistan	(Pak. Rupee)	42.82	24.4266	14.6895	18.3974
Panama	(Balboa)	1.7530	1	0.6013	0.7531
Papua New Guinea	(Kina)	1.6510	0.9418	0.5663	0.7093
Paraguay	(Guarani)	2305.25	1315.03	790.823	990.44
Peru	(New Sol)	1.3765	0.7852	0.4722	0.5914
Philippines	(Peso)	45.94	26.2065	15.7598	19.7379
Pitcairn Is	(£ Sterling)	1.00	0.5704	0.343	0.4296
	(NZ $)	3.0875	1.7612	1.0591	1.3265
Poland	(Zloty)	19201.00	10953.2	6586.96	8249.62
Portugal	(Escudo)	252.10	143.811	86.4837	108.314
Puerto Rico	(US $)	1.7530	1	0.6013	0.7531
Qatar	(Riyal)	6.3810	3.64	2.189	2.7415
Reunion Is. de la	(F/Fr)	9.9250	5.6617	3.4048	4.2642
Romania	(Leu)	103.64	59.1215	35.554	44.5284
Rwanda	(Fr)	215.92	123.172	74.072	92.769
St Christopher	(E Carr $)	4.7275	2.6968	1.6217	2.0311
St Helena	(£)	1.00	0.5704	0.343	0.4296
St Lucia	(E Carr $)	4.7275	2.6968	1.6217	2.0311
St Pierre	(French Fr)	9.9250	5.6617	3.4048	4.2642
St Vincent	(E Carr $)	4.7275	2.6968	1.6217	2.0311
San Marino	(Italian Lira)	2179.75	1243.44	747.77	936.52
Sao Tome	(Dobra)	420.25	239.732	144.168	180.559
Saudi Arabia	(Riyal)	6.5990	3.7644	2.2638	2.8352
Senegal	(CFA Fr)	496.25	283.086	170.24	213.212
Seychelles	(Rupee)	9.24	5.2709	3.1698	3.9699
Sierra Leone	(Leone)	576.70	328.979	197.839	247.777
Singapore	($)	2.9480	1.6816	1.0113	1.2665
Solomon Is	($)	4.7734	2.7229	1.6375	2.0508
Somali Rep	(Shilling)	4587.60	2617	1573.79	1971.04
South Africa	(Rand)	4.9065c	2.7989	1.6831	2.108
		5.4330g	3.0992	1.8638	2.3342
Spain	(Peseta)	184.15	105.048	63.1732	79.1192
Spanish Ports in N Africa	(Sp Peseta)	184.15	105.048	63.1732	79.1192
Sri Lanka	(Rupee)	73.29	41.8083	25.1423	31.4887
Sudan Rep	(£)	7.8795o	4.4948	2.703	3.3853
		20.0490g	11.4369	6.8778	8.6139
Surinam	(Guilder)	3.1255	1.7829	1.0722	1.3428
Swaziland	(Lilangeni)	4.9065	2.7989	1.6831	2.108
Sweden	(Krona)	10.64	6.0695	3.65	4.5714
Switzerland	(Fr)	2.5400	1.4489	0.8713	1.0912
Syria	(£)	36.77	20.9754	12.614	15.798
Taiwan	($)	46.475	26.5116	15.9433	19.9677
Tanzania	(Shilling)	400.65	228.551	137.444	172.137
Thailand	(Baht)	44.63	25.4592	15.3104	19.175
Togo Rep	(CFA Fr)	496.25	283.086	170.24	213.212
Tonga Is	(Pa Anga)	2.1880	1.2481	0.7506	0.94
Trinidad/Tobago	($)	7.4420	4.2452	2.553	3.1974
Tunisia	(Dinar)	1.6255	0.9272	0.5576	0.6983
Turkey	(Lira)	8171.25	4661.29	2803.17	3510.74
Turks & Caicos	(US $)	1.7530	1	0.6013	0.7531
Tuvalu	(Australian $)	2.1880	1.2481	0.7506	0.94
Uganda	(New Shilling)	1563.90	892.128	536.501	671.923
U A E	(Dirham)	6.4380	3.6725	2.2085	2.766
United Kingdom	(£)	1.00	0.5704	0.343	0.4296
United States	(US $)	1.7530	1	0.6013	0.7531
Uruguay	(Peso)	3866.45	2205.62	1326.4	1661.2
USSR	(Rouble)	1.0153o	0.5791	0.3483	0.4362
		3.0459c	1.7375	1.0449	1.3086
Vanuatu	(Vatu)	194.50	110.953	66.7238	83.566
Vatican	(Lira)	2179.75	1243.44	747.77	936.52
Venezuela	(Bolivar)	95.9825	54.7532	32.9271	41.2384
Vietnam	(Dong)	18473.05	10538	6337.24	7936.86
Virgin Is-British	(US $)	1.7530	1	0.6013	0.7531
Virgin Is-US	(US $)	1.7530	1	0.6013	0.7531
Western Samoa	(Tala)	4.1810	2.385	1.4343	1.7963
Yemen	(Rial)	21.1145	12.0447	7.2433	9.0717
Yemen PDR	(Dinar)	0.8044	0.4588	0.2759	0.3456
Yugoslavia	(Dinar)	37.9089	21.6251	13.0047	16.2873
Zaire Rep	(Zaire)	31640.0(1)	18049.1	10854.2	13594
Zambia	(Kwacha)	127.40	72.6754	43.7049	54.7368
Zimbabwe	($)	8.6850	4.9543	2.9794	3.7314

Special Drawing Rights September 27, 1991 United Kingdom £0.784975 United States $1.35840 Germany D Mark 2.28931 Japan Yen181.890
European Currency Unit Rates September 30, 1991 United Kingdom £0.702859 United States $1.23155 Germany D Mark 2.04708 Japan Yen163.550

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate ; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar;
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5.
(1) Last Zairean rate available prior to civil unrest.
Monday, September 30, 1991

Only one airline flies daily non-stop from London, Paris and Frankfurt to Tokyo.

JAL Japan Airlines
A WORLD OF COMFORT

This announcement appears as a matter of record only — May 1991

£121,000,000
Management Buy-Out

FIELD GROUP
Field Group Ltd.

£47,000,000
Senior Debt Facilities

Arranged and Underwritten by
Barclays Bank PLC
Acquisition Finance Unit

Funds Provided by
Barclays Bank PLC
Union Bank of Switzerland
Generale Bank S.A./N.V.
3i Group plc
Bank of Scotland
The Industrial Bank of Japan, Limited

Agent Bank
Barclays Bank PLC

Institutional Equity Underwritten by
CINVen

BARCLAYS

U.S. $100,000,000

Kemira Oy
Floating Rate Notes Due 1995
of which U.S. $75,000,000
has been issued as the Initial Tranche

Interest Rate 5.8125% per annum
Interest Period 30th September 1991
30th March 1992
Interest Amount per U.S. $10,000 Note due 30th March 1992 U.S. $293.85

Credit Suisse First Boston Limited
Agent

U.S. $100,000,000

GW Overseas Finance N.V.
Guaranteed Floating Rate Notes
Due 1994
Unconditionally guaranteed by
GW
Great Western Financial Corporation

Interest Rate 5.8125% per annum
Interest Period 30th September 1991
30th March 1992
Interest Amount per U.S. $10,000 Note due 30th March 1992 U.S. $293.85

Credit Suisse First Boston Limited
Agent

CI
C. Itoh Finance (Europe) PLC
(incorporated in England under the Companies Acts 1948 to 1983 on 9th October, 1984)
U.S. $30,000,000
Guaranteed Deferred Interest
Accrual Floating Rate Notes due 1992
unconditionally guaranteed as to payment of principal and interest by
C. Itoh & Company (Hong Kong) Limited
(incorporated under the laws of Hong Kong)
For the six month period 30th September, 1991 to 30th March, 1992 the Notes will carry an interest rate of 9 11/16% and an interest amount of U.S. $2,448.78 per U.S. $50,000 Note. The relevant interest payment date will be 30th March, 1992.

Bankers Trust Company, London — Agent Bank

CARIPLO
US$25,000,000
Currency
Deposit receipts due 1991
In accordance with the provisions of the prospectus notice is hereby given that for the interest period from the 28/9/90 to 28/9/91 the interest amount payable per US$500,000 will be US$34,117.07 at the rate of 6.8% x $\left(\frac{134.05}{133.59}\right)$ and the redemption amount payable per US$500,000 will be US$484,230.71, both on the 30/9/91.

Nationwide Anglia Building Society
Anglia Building Society
£150,000,000 Floating Rate Notes 1996
In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the three month period 27th September, 1991 to 27th December, 1991 has been fixed at 10.3925 per cent. per annum. Coupon No. 21 will therefore be payable on 27th December, 1991 at £2,591.01 per coupon from Notes of £100,000 nominal and £129.55 per coupon from Notes of £5,000 nominal.
S. G. Warburg & Co. Ltd.
Agent Bank

INTERNATIONAL CAPITAL MARKETS

Treasuries climb on hope of cut in interest rates

By Patrick Harverson in New York and Sara Webb in London

US BOND prices edged higher yesterday morning, buoyed by hopes of lower interest rates which helped investors shrug off a modest rise in the Chicago Purchasing Managers' index.

By midday, the benchmark 30-year bond was up 1/8 at 103 11/32, yielding 8.11 per cent. The two-year note was also firmer, up 1/32 at 100 3/32, yielding 5.890 per cent.

GOVERNMENT BONDS

The market opened the week in bullish mood, aided by last week's poor economic figures, a downbeat assessment of economic conditions at a meeting last Friday between Mr Alan Greenspan, chairman of the Federal Reserve, and President George Bush and hopes that the Fed's policy-making Open Market Committee will decide at its regular meeting today to keep the monetary reins loose.

Crucial September employment data is published this Friday, and analysts expect the market to retain its firm tone ahead of the release, with dealers and investors betting on another interest rate cut if the jobs figures are weak.

■ UK government bonds rose following the US Treasury bond market's rally on Friday and in the absence of significant domestic factors.

Short-dated gilts were almost unchanged on the day, while long-dated bonds gained about a quarter of a point on Friday's close.

The Liffe gilt future contract opened at 96.05 and traded up to 96.09 by late afternoon.

The Bank of England issued two £100m tranches of existing index-linked stock for sale from today .The 2 per cent index-linked gilt, due 1996, is aimed at higher rate taxpayers, while the 2½ per cent index-linked gilt due 2013 is aimed at institutional investors.

Index-linked gilts have their coupon and capital value linked to the retail prices index. In the past, some investors have used them as a hedge against political uncertainty. The announcement that the Bank is issuing index-linked stock came as a surprise and index-linked gilts slipped slightly yesterday.

■ THE Dutch Finance Ministry agency sold a total of Fl1.5bn of 10-year bonds when it reopened its tap issue yesterday.

The tap issue of 8.75 per cent bonds due 2001 opened at 99.8, but the price was later increased to 99.85. Traders said the tap is expected to remain open today and possibly tomorrow as well.

Traders reported some switching out of German government bonds into the Dutch tap issue as the yield spread over 10-year German bunds has widened to around 38 basis points from 35 basis points last week.

German cash bond and futures prices rose above Friday's close, but slipped from the day's highs. The Liffe bund futures contract opened at 85.47, moving up to a high of 85.61 before falling to 85.51 by mid-afternoon.

■ JAPANESE bonds slipped on profit-taking yesterday as hopes of an imminent cut in the Official Discount Rate faded.

Japanese government bonds reached new highs in last week's rally, but yesterday traders reported disappointment at the Bank of Japan's decision to leave the ODR unchanged at 5.5 per cent, despite signs of falling inflation and the yen's strength against the dollar.

Traders said the Bank of Japan's decision to recall loans was taken as a sign that short-term interest rates were unlikely to fall further for a while.

The Bank recalled Y3,000bn in loans in the morning and Y800bn in the late afternoon to meet an expected Y4,000bn surplus.

A Bank of Japan senior official told a news conference it would be premature to cut the discount rate, but said the Bank of Japan was not resisting the drop in open-market interest rates.

The yield on the benchmark No 129 government bond opened at 5.94 per cent and closed at 5.965 per cent.

The December futures contract closed at 99.45 in Tokyo, which was down from its opening of 99.65.

The Finance Ministry is expected to auction about Y800bn in 10-year bonds today, with a coupon of 6 per cent. Japan's four largest securities firms are excluded from participating in the offering because they paid compensation to leading clients for investment losses.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	110.4397	-0.001	10.31	10.52	10.65
BELGIUM		9.000	06/01	99.2000	+0.100	9.12	9.20	9.28
CANADA *		9.750	12/01	104.0000	+0.150	9.13	9.38	9.63
DENMARK		9.000	11/00	99.5750	+0.200	9.08	9.12	9.24
FRANCE	BTAN	8.500	11/96	97.8803	+0.158	9.02	9.05	9.14
	OAT	9.500	01/01	104.0100	+0.050	8.83	8.85	8.96
GERMANY		8.750	08/01	102.2600	+0.080	8.40	8.45	8.45
ITALY		12.500	03/01	98.7700	-	12.93	12.84	13.32
JAPAN	No 119	4.800	06/99	92.0615	-0.190	6.33	6.36	6.69
	No 129	6.400	03/00	102.3909	-0.174	5.96	6.03	6.36
NETHERLANDS		8.500	03/01	98.1500	+0.010	8.78	8.80	8.78
SPAIN		11.900	07/96	101.5700	-0.160	11.41	11.33	11.67
UK GILTS		10.000	11/96	101-11	-	9.68	9.66	9.96
		10.000	02/01	102-13	+03/32	9.60	9.58	9.94
		9.000	10/08	98-31	+10/32	9.36	9.32	9.71
US TREASURY *		7.875	08/01	102-22	-01/32	7.48	7.58	7.91
		8.125	08/21	103-11	-02/32	7.83	7.89	8.05

London closing. *New York morning session
Prices: US, UK in 32nds, others in decimal
Yields: Local market standard
Technical Data/ATLAS Price Source)

Japanese bank sets up US subsidiary

THE Sumitomo Bank of Japan has set up a US securities subsidiary, Reuter reports.

The unit, Sumitomo Bank Securities, initially will place commercial paper, privately place all types of debt securities, and trade "bank eligible" securities, including US Treasury and Agency bonds, the bank said.

The subsidiary, part of a plan to expand Sumitomo's wholesale non-banking activities in the US, will start operating as soon as it completes regulatory procedures, Sumitomo said. It has starting capital of $40m.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market
Latest prices at 6:10 pm on September 30

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	102⅞	103⅛		6.68
ALBERTA PROVINCE 9 3/8 95	600	106½	107	+⅛	7.42
AUSTRIA 8 1/2 00	400	102½	102⅞		8.06
BANK OF TOKYO 8 3/8 96	100	101¼	102¼		7.88
BELGIUM 9 5/8 98	250	108½	108⅞	+⅛	7.94
BFCE 7 3/4 97	150	100¼	100¾	+⅛	7.65
BNP 8 5/8 94	300	104¼	104⅝	+⅛	6.91
[illegible]					

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	94	95		9.51
KREDIETBANK 7 93 LFr	1000	95½	96½		9.66
WORLD BANK 8 95 LFr	1000	96½	97½	+⅛	8.94
BCE INC 9 5/8 93 C$	300	100¾	101¼	+⅛	9.02
BELL CANADA 10 5/8 99 C$	150	103⅝	104⅛		9.87
BRITISH COLUMBIA 9 1/4 93 C$	150	100¼	100¾	+⅛	8.98
EIB 10 1/8 98 C$	130	102½	102⅞	+⅛	9.64
[illegible]					

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INTERNATIONAL CAPITAL MARKETS

Berlin banks' proposal for merger under review

By Andrew Fisher and David Waller in Frankfurt

THE BERLIN government said yesterday it was studying local banks' proposals to form Germany's sixth largest banking group but could not say at this stage whether, or in what form, they would be finally approved.

However, the banks said they hoped for a favourable response to their proposal. Under the plan, Berliner Bank and Landesbank Berlin would combine with two smaller banks – Berliner Pfandbrief-Bank and Wohnungsbau-Kreditanstalt Berlin, both involved in housing finance – to form an organisation with a total business volume of some DM120bn.

The city of Berlin would retain the majority of shares in the new grouping, to be called Berliner Banken Holding. Initially, its stake would exceed 80 per cent, but this could be reduced to 51 per cent. Barclays Bank of the UK denied reports it might take a stake in BBH, while Crédit Lyonnais of France had no comment.

The scheme reflects the ambitions of the city's banks to give Berlin a higher financial profile as part of a united Germany. The country's three largest commercial banks, Deutsche Bank, Dresdner Bank and Commerzbank, all intend to retain their headquarters in Frankfurt. Two have absorbed their Berlin subsidiaries, previously run as separate units, into the overall group as part of their expansion eastwards.

Commerzbank said yesterday it would also do so eventually. The bank recently announced it was building new headquarters in Frankfurt to reassert its commitment to the city.

Before the Berlin banks can be combined into a new holding, the two smaller ones have to be legally changed into shareholding companies from public sector banks. Banking sources said a draft change in the law was being prepared.

The city owns both banks. It also owns 56 per cent of Berliner Bank – 26 per cent is held by Gothaer Versicherung, the insurance company – which has around 100 branches in and around Berlin. The city is the sole owner of Landesbank Berlin, the regional savings bank.

● BHF Securities, the securities arm of the German bank Berliner Handels-und Frankfurter Bank, is considering closing operations in Tokyo in the near future, writes Emiko Terazono in Tokyo.

A Ministry of Finance official said BHF had consulted the ministry over plans to withdraw from Tokyo.

BHF's Tokyo branch began operations in February 1988 after obtaining a brokerage licence in September 1987. For the fiscal year to end-March 1991, it posted pre-tax losses of Y280m on revenues of Y500m.

The stagnant Tokyo stock market has been depressing profits of domestic and foreign brokerages. Earnings at smaller foreign houses, which lack expertise in derivative trading, now the mainstay of most foreign securities companies, have been especially hard hit.

Salomon sees fall in share of bond issues

By Patrick Harverson in New York

SALOMON Brothers' share of US stock and bond issues fell sharply in the third quarter of this year, indicating how badly the scandal over its illegal activities in the Treasury markets has affected the securities firm's underwriting business.

IDD Information Services, the US financial data firm, said the value of all US corporate stock and bond offerings underwritten by Salomon in the third quarter rose to $11.46bn, against $8.48bn last year, but its market share fell from 11.4 per cent to 7.7 per cent. The fall meant Salomon slid from third to fifth in IDD's rankings of corporate underwriters.

While Salomon's market share slipped, those of three of its leading competitors, Merrill Lynch (ranked first in the quarter with $27.82bn, or 18.7 per cent of the market), Lehman Brothers ($17.4bn or 11.7 per cent) and First Boston ($16.25bn or 10.9 per cent) rose.

Of the four firms above Salomon in the rankings, only Goldman Sachs ($13.6bn, or 9.1 per cent) saw its share of the underwriting market decline between July and September.

Several clients deserted Salomon during the quarter after the firm admitted it had rigged its bids during auctions of Treasury securities. Those defections, and the possibility that companies issuing bonds and stocks shied away from Salomon because of the scandal, was partly behind the decline in its market share in the quarter.

The July-to-September decline in market share has affected the firm's figures for the year to date. IDD said Salomon underwrote $36.77bn of corporate stock and bonds in the first nine months of this year, almost $12bn more than in the same three quarters last year.

But its share of what was a bigger market fell to 8.8 per cent between January and September this year, or fifth in the list of top 10 underwriters, from 10.4 per cent, or third in the list last year.

Bradford & Bingley in PIBS issue

By Simon London in London

BRADFORD & Bingley, the seventh largest building society ranked by assets, yesterday became the second of the UK's mutual savings institutions to strengthen its balance sheet with an issue of permanent interest bearing shares (PIBS).

The £60m issue comes four months after Leeds Permanent opened the market for the new type of shares with a £75m issue.

Both issues count as Tier I or core capital under rules laid down by the Building Societies Commission, the regulatory body under UK law.

Yesterday's issue carries a 13 per cent coupon and was priced to yield 360 basis points more than the UK government's 9 per cent Treasury bond maturing 2008, the benchmark government bond at the longer maturities.

The pricing was seen as generous by market participants. The Leeds issue was launched at a yield spread of 350 basis points over the government bond and was yesterday trading at a spread of around 330 basis points.

The issue, lead-managed by Salomon Brothers, was sold mainly to UK institutional investors, including many pension funds which like to match such long-dated, high-yielding assets against long-term pension liabilities.

The closest comparable securities are sterling preference shares issued by UK banks, such as National Westminster's recent £140m issue. That deal was priced to yield 250 basis points over long-dated government bonds.

However, a preference share holder ranks above common equity holders in the event of winding up, whereas a PIBS holder is the most junior creditor. PIBS rank even below depositors funds held in share accounts, the building society equivalent of common stock.

The Bradford & Bingley PIBS will be quoted on the London Stock Exchange, and Salomon Brothers and Hoare Govett, which co-lead manager to the issue, will act as market makers.

Bradford & Bingley was rated A1 by Moody's Investors Service, the US credit rating agency until this summer. However, when the building society completed the takeover of an ailing rival, the Leamington Spa, Moody's cut its credit rating to AA3.

EIB launches A$400m issue of 10-year bonds

By Tracy Corrigan in London

THE EUROPEAN Investment Bank yesterday became the first issuer to take advantage of a change in rules allowing foreign borrowers to tap demand in the domestic Australian bond market and international markets simultaneously.

The EIB launched an A$400m issue of 10-year bonds, to be priced early today, under

INTERNATIONAL BONDS

an A$750m registered bond programme.

Under the new rules, introduced by the Australian Treasury last April, foreign borrowers can now offer registered securities to domestic, and international investors, free from withholding tax. But, a limited number of borrowers, probably around a dozen sovereign and supranational borrowers, will be able to take advantage of the new rules, since foreign companies would not meet sufficient demand in the Australian domestic market to justify this type of deal.

Even in the case of the EIB, the flow of paper is expected to be skewed towards Europe, although lead-manager Hambros is trying to ensure that around half the paper is placed in Australia. But there will be a support bid in Australia to boost liquidity, and this new type of deal - in many ways a hybrid of a domestic deal and a Eurobond issue - should improve the linkage between the domestic and Eurobond market.

"In the past they have traded quite separately," one dealer said. Even Eurobond issues exchangeable for domestic debt have been quite distinct.

The issue is designed to be topped up to bolster liquidity, and is expected to trade on a yield basis, like the Australian domestic market, on a five basis point spread.

In the Spanish market, the Nordic Investment Bank launched the first index-linked bond, via JP Morgan. Redemption of the three-year zero-coupon bonds is linked to the FIEX-35 index of leading Spanish stocks. Investors participate in 90 per cent of any gains in the index, but are not vulnerable to any decline.

Neither of the Spanish derivatives exchanges are yet trading futures or options on the FIEX 35, or any other stock index. However, a number of covered warrants on the index have been launched.

The deal did not interrupt placement of a well-received Pta15bn five-year deal for the World Bank, since the NIB deal was structured to appeal to equity, rather than bond, investors.

Despite its relatively low 11 per cent coupon, the World Bank deal performed well, and the yield fell below the important psychological level of 11 per cent to 10.98 per cent, outperforming a recent five-year EIB deal, which stalled at 11 per cent. Dealers said that the World Bank has a certain rarity value in the sector, while the EIB, expected to return to the market this Autumn, is a frequent issuer.

Elsewhere, continuing strong demand for Canadian dollar securities ensured a positive reception for a C$200m issue of 10-year bonds by British Gas, priced to yield 26 basis points above the comparable Canadian government bond.

Historically, the spread appears aggressive for a corporate borrower. But British Gas, a triple-A rated utility, is still regarded as ranking close to UK government debt despite privatisation. By the end of the day, the spread had tightened by about five basis points.

The deal was unswapped, as British Gas has a Canadian subsidiary. For borrowers without a need for Canadian dollars, the lack of swap opportunities is likely to prevent new issues, dealers said.

● THE UK government bond market was the top-performing market during September, according to data covering 21 government bond markets collected by Kemper Investment Management, writes Simon London. Gilts gave a total return of 6.56 per cent on the month for a dollar based investor and 2.55 per cent for a sterling-based investor.

Other markets to show a strong return included the Danish, Austrian and Swedish government bond markets, each of which offered the dollar-based investor a total return of over 6 per cent.

The recent weakness of the US currency left the US Treasury bond market as the worst performer; gaining just 2.23 per cent for a dollar investor and losing 1.65 per cent for a sterling investor.

Toronto abandons dollar fractions

By Bernard Simon in Toronto

THE days of North American stock market traders and investors having to do their sums in awkward one-eighth fractions of a dollar may be numbered.

In a move which could turn out to be the thin end of a wedge, the Toronto stock exchange has replaced the traditional one-eighth dollar fractions with decimal quotes on its Toronto 35 Index Participation Units (Tips), one of the TSE's most active instruments.

Mr Jim Gallagher, the TSE's executive vice-president, said yesterday the exchange had no plans yet to switch quotes on common shares to five and 10-cent increments. But he said the Tips move was likely to strengthen a growing body of opinion in North America urging the wholesale introduction of decimal trading.

The main advantage of decimal trading is that it tightens spreads between bid and ask prices from a minimum of 12.5 cents (one-eighth of a dollar) to 5 cents. The smaller spread is useful for traders moving frequently in and out of shares, who do not want the heavier risk of a one-eighth dollar spread.

However, a decimal system would require new computer software and an adjustment by floor traders, many of whom are reluctant to break with tradition. Toronto's Tips units are traded on the exchange's automated trading system.

The TSE hopes decimal trading will improve the liquidity of Tips, which began trading in March 1990 as an "index fund" based on the TSE 35 index. Each Tips unit has an asset value equal to about one-tenth of the index level.

Decimal quotes will also be used for Tips put and call options, which began trading yesterday. The TSE is likely to extend the decimal system soon to some types of convertible preferred shares, which have more in common with bonds than common shares.

Shares priced between $3 and $5 on North American exchanges already trade in five-cent increments. Single cents are used below $3.

● BUSINESS investment in Canada will remain "very weak" until the end of 1992, restraining economic recovery and job creation, warned the Royal Bank of Canada, writes Robert Gibbens in Montreal.

This is mainly because corporate profits have fallen steeply in the past two years with the recession, combined with high interest rates and a high Canadian dollar. The bank says recovery will only be gradual.

The study estimates that though corporate profits will rise 37 per cent from a low base now to the end of 1992, their ratio to gross domestic product will remain depressed at 6.3 per cent.

After the 1982-83 recession, profits rose 61 per cent over six consecutive quarters to 10.5 per cent of GDP.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
CANADIAN DOLLARS						
British Gas Int.Finance(a)†	200	9½	101⅛	2001	2/1⅜	Deutsche Bk Cap.Mkts.
PESETAS						
World Bank(b)†	15bn	11	101⅜	1996	1½/1	Banesto
Nordic Investment Bk(c)†	5bn	zero	100	1994	2	JP Morgan
YEN						
Toshiba Corp(a)†	30bn	6¾	101⅛	1999	1⅞/1.7	Nikko Secs.
Toshiba Corp(a)†	30bn	6¾	101⅜	1997	1⅞/1.7	Nomura Int.
Hino Motors(a)†	20bn	6.9	101.20	1998	1⅞/1½	Yamaichi Int.
Toho Gas(a)†	10bn	6⅞	101½	2002	2/1¼	Daiwa Europe

**Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Matador issue. Non-callable. c) Matador issue. Redemption linked to FIEX-35 index of Spanish stocks. Non-callable.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section

	Equity groups & sub-sections	Mon Sep 30 1991 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Fri Sep 27 Index No.	Thu Sep 26 Index No.	Wed Sep 25 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (184)	859.60	+0.4	9.17	5.63	13.60	29.93	856.21	855.24	851.80	690.10
2	Building Materials (24)	1050.71	-1.0	7.19	5.92	18.28	40.19	1061.35	1065.74	1068.10	884.68
3	Contracting, Construction (31)	1167.31	....	8.26	6.23	16.43	45.06	1165.69	1165.50	1158.36	1038.21
4	Electricals (11)	2655.25	+0.1	8.23	4.97	15.56	72.48	2652.02	2651.75	2634.63	1903.33
5	Electronics (25)	1813.79	+1.0	10.56	5.26	11.97	49.55	1795.58	1780.18	1774.16	1542.28
6	Engineering-Aerospace (8)	377.60	+0.2	16.37	6.64	7.37	16.48	376.82	381.88	377.36	419.09
7	Engineering-General (45)	498.87	+0.6	9.96	5.14	12.41	15.79	495.72	492.56	495.51	366.70
8	Metals and Metal Forming (8)	469.18	+0.6	13.97	7.53	8.69	17.48	466.44	464.96	461.96	390.74
9	Motors (12)	357.59	+0.6	8.35	6.73	15.29	14.65	355.29	360.72	362.25	276.28
10	Other Industrial Materials (20)	1652.68	+1.1	7.68	4.93	15.49	56.55	1635.48	1626.95	1608.25	1171.08
21	CONSUMER GROUP (187)	1556.83	+0.8	7.41	3.59	16.67	31.94	1544.24	1543.61	1550.91	1141.35
22	Brewers and Distillers (22)	1947.63	+0.6	7.95	3.45	15.31	38.33	1935.56	1926.83	1931.07	1394.45
25	Food Manufacturing (19)	1232.76	+1.0	9.20	4.06	13.42	26.32	1221.05	1224.01	1233.17	985.43
26	Food Retailing (17)	2495.05	+0.8	8.93	3.39	14.65	50.36	2475.54	2500.11	2540.42	2265.91
27	Health and Household (22)	3707.85	+1.1	5.45	2.55	21.03	58.55	3667.48	3639.41	3664.93	2350.81
29	Hotels and Leisure (23)	1343.24	+0.5	8.02	5.25	15.20	37.73	1336.97	1340.07	1344.70	1134.32
30	Media (26)	1558.58	+0.2	6.91	4.55	18.91	43.94	1556.02	1559.24	1550.77	0.00
31	Packaging, Paper & Printing (17)	779.04	+0.9	7.22	4.19	16.82	22.26	772.27	765.36	763.14	474.60
34	Stores (32)	1000.30	+1.1	7.60	3.73	17.14	19.20	989.60	996.50	998.72	737.69
35	Textiles (9)	628.50	-0.1	7.33	4.94	17.32	15.16	629.08	631.67	634.16	398.31
40	OTHER GROUPS (109)	1306.52	+0.8	9.23	4.97	13.62	35.68	1295.68	1297.06	1295.46	956.55
41	Business Services (12)	1419.09	+1.3	7.66	4.60	16.16	34.95	1400.24	1386.35	1385.92	0.00
42	Chemicals (21)	1486.80	+1.3	6.81	4.86	18.13	48.39	1468.22	1457.68	1462.04	973.65
43	Conglomerates (10)	1553.15	+0.4	9.39	6.77	12.90	38.76	1547.50	1553.01	1551.77	1264.67
44	Transport (13)	2405.64	+0.9	7.09	4.73	17.47	66.37	2383.46	2389.82	2379.77	1761.60
45	Electricity (16)	1268.37	....	13.85	5.13	9.42	27.53	1268.72	1277.02	1278.30	0.00
46	Telephone Networks (4)	1581.24	+0.9	9.48	3.84	13.80	28.34	1567.54	1565.28	1571.29	1061.32
47	Water (10)	2439.28	+1.4	16.76	6.31	6.60	118.37	2405.09	2436.65	2409.72	1943.32
48	Miscellaneous (23)	1926.24	+1.1	5.18	5.14	26.74	69.66	1906.01	1915.07	1890.81	1497.86
49	INDUSTRIAL GROUP (480)	1307.53	+0.7	8.34	4.43	14.92	33.31	1297.91	1297.83	1299.24	976.11
51	Oil & Gas (20)	2426.35	+0.6	10.76	5.72	12.28	92.91	2411.06	2406.38	2385.65	2330.64
59	500 SHARE INDEX (500)	1404.10	+0.7	8.64	4.59	14.54	36.03	1393.95	1393.54	1393.40	1086.44
61	FINANCIAL GROUP (92)	834.52	+0.5	–	5.61	–	30.50	830.63	830.47	833.86	644.77
62	Banks (9)	981.39	+1.3	4.34	5.43	43.20	36.83	968.81	966.87	969.44	676.74
65	Insurance (Life) (7)	1588.64	+0.1	–	5.33	–	62.78	1586.78	1580.22	1584.87	1268.66
66	Insurance (Composite) (6)	628.81	....	–	6.98	–	28.25	628.81	632.00	642.97	556.50
67	Insurance (Brokers) (9)	1151.47	-0.3	7.08	5.89	18.49	42.45	1155.15	1155.87	1157.52	774.04
68	Merchant Banks (7)	482.27	....	–	4.38	–	13.08	482.48	482.77	477.95	325.46
69	Property (36)	966.06	....	5.76	4.84	24.43	23.01	966.27	967.28	969.43	864.62
70	Other Financial (18)	263.31	-1.9	11.03	6.98	11.40	10.84	268.46	269.85	268.93	233.78
71	Investment Trusts (69)	1254.57	....	–	3.46	–	26.66	1254.17	1255.31	1255.50	971.12
99	ALL-SHARE INDEX (661)	1265.96	+0.7	–	4.70	–	35.71	1257.47	1257.16	1257.74	979.09

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Sep 27	Sep 26	Sep 25	Sep 24	Sep 23	Year ago
FT-SE 100 SHARE INDEX‡	2621.7	+22.7	2621.7	2592.6	2599.0	2595.6	2597.8	2576.6	2579.5	2030.8

FIXED INTEREST

	PRICE INDICES	Mon Sep 30	Day's change %	Fri Sep 27	Accrued interest	xd adj. 1991 to date
	British Government					
1	Up to 5 years (28)	122.43	+0.04	122.38	1.91	9.08
2	5-15 years (27)	135.76	+0.18	135.51	2.14	10.24
3	Over 15 years (9)	144.31	+0.20	144.02	1.19	10.60
4	Irredeemables (6)	161.72	+0.37	161.13	3.40	8.83
5	All stocks (70)	133.87	+0.14	133.69	2.01	9.99
	Index-Linked					
6	Up to 5 years (2)	166.16	....	166.15	0.45	2.72
7	Over 5 years (9)	148.82	-0.09	148.95	0.74	3.42
8	All stocks (11)	150.08	-0.08	150.20	0.70	3.40
9	Debs & Loans (58)	114.45	-0.51	115.42	1.83	8.28

	AVERAGE GROSS REDEMPTION YIELDS		Mon Sep 30	Fri Sep 27	Year ago (approx.)
	British Government				
1	Low	5 years	8.52	8.59	11.05
2	Coupons	15 years	9.33	9.36	11.05
3	(0%-7¾%)	20 years	9.33	9.36	11.05
4	Medium	5 years	9.62	9.64	12.12
5	Coupons	15 years	9.48	9.51	11.55
6	(8%-10¾%)	20 years	9.43	9.46	11.38
7	High	5 years	9.83	9.85	12.20
8	Coupons	15 years	9.56	9.59	11.83
9	(11%-)	20 years	9.48	9.51	11.70
10	Irredeemables	†	9.54	9.57	11.18
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	3.76	3.76	4.41
12	Inflation rate 5%	Over 5 yrs.	4.22	4.21	4.35
13	Inflation rate 10%	Up to 5 yrs.	3.15	3.15	3.23
14	Inflation rate 10%	Over 5 yrs.	4.04	4.03	4.17
15	Debs &	5 years	11.25	11.21	14.28
16	Loans	15 years	11.03	10.98	13.06
17		25 years	10.85	10.80	12.70

‡Opening index 2596.0; 9 am 2592.8; 10 am 2605.2; 11 am 2605.2; Noon 2610.7; 1 pm 2610.4; 2 pm 2609.8; 2.30 pm 2610.1; 3 pm 2615.3; 4.10 pm 2617.1; (a) 4.30pm (b) 8.57am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, Ibex House, 42-47 Minories, London EC3N 1DY. Tel: 071-702 0991. CONSTITUENT CHANGES (for 1.10.91): ADDITIONS: Betterware Consumer Products (34), Bimec Industries (48), Fleming Emerging Markets Investment Trust (71), Hi-Tec Sports (29); DELETIONS: Baggeridge Brick (02), Erskine House Group (48), Rutland Trust (70), 600 Group (07); RECLASSIFICATION: Henry Barrett Group (from 07 to 08).

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	50	11	22
Corporations, Dominion and Foreign Bonds	5	0	15
Industrials	399	211	889
Financial and Properties	151	91	519
Oils	14	20	55
Plantations	2	0	8
Mines	12	50	92
Others	13	66	54
Totals	646	449	1,654

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

LONDON TRADED OPTIONS

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Alld Lyons (*634)	600	47½	69½	85½	10½	29	32½
	650	20	45	59½	33	52½	59½
	700	9½	27	40½	70½	84½	89½
ASDA (*46)	40	11½	15½	16½	2	4½	5½
	50	4½	10	12½	7½	8½	10½
	60	2½	6½	8¼	15	15½	16½
Brit. Airways (*182)	160	24	26½	31½	1	4½	6½
	180	8½	13½	20	4½	10½	14½
	200	2¼	6	10	19½	21½	24½
SmKl Beecham A (*747)	700	50½	–	–	2	–	–
	750	16	43	60½	16½	29	37½
Boots (*427)	420	14½	25	37½	6	13	19
	460	¼	9	19	35	39	41
B.P. (*337)	330	9½	16½	25½	3	8	12
	360	1½	6½	11	24¼	25½	28½

Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
BAT Inds (*663)	650	30	52½	62½	9½	17½	22½
	700	8½	27	37½	39½	43	45½
BTR (*419)	390	36	46	50½	2¼	6½	12½
	420	14½	28	31½	12	18	24
Brit. Telecom (*396)	390	17½	25½	36½	7½	14½	17½
	420	5½	13	22½	25½	30½	32½
Cadbury Sch (*423)	420	24	36	40½	16½	19½	27½
	460	9	21½	25	40	42	50
Eastern Elec (*184)	180	11	16½	19½	4½	9½	12½
	200	3¼	7	10½	16½	20½	23½
Guinness (*1023)	1000	46½	78½	94½	16½	29	42
	1050	21	50½	68½	40½	55½	65½
GEC (*199)	180	21	25	29	¼	2¼	4
	200	6½	12	16½	5	8½	10½

Option		Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
Lonrho (*251)	240	19½	22½	24½	6	13½	14½
	260	8¼	11½	15½	15½	24	25½
Midland Bk (*251)	240	24	32	37½	7	11½	13½
	260	13½	21	28	15½	20	23½
National Power (*163)	160	12	14	17½	5½	8½	9½
	180	2¼	5½	9	17½	19½	19½
Reuters (*951)	950	57½	85	108	39½	57½	70
	1000	36	61½	84	71½	83½	91½
R. Royce (*150)	140	14	20	21	2¼	6	8
	160	4½	8¼	11	11	15	17
Scottish Power (*113)	110	8¼	12	15	3¼	5¼	7
	120	3¼	7¼	10	8	11	12

[illegible]

TRADITIONAL OPTIONS

- First Dealings Sept. 23
- Last Dealings Oct. 4
- Last Declarations Dec. 23
- For settlement Jan. 6

For rate indications see end of London Share Service

Calls in ASDA, Aviva Pet., Crossroads Oil, HTV, Owners Abroad, Thames TV and United Biscuits. Puts in Control Sec., Forte, Maxwell Comm. and Ratners.

NOT CLOSE...EXACT

The FT-Actuaries Share Indices Service

FINSTAT, the Financial Times Statistics Service, offers a unique range of electronic information relating to the FT-Actuaries Share Indices. Your PC can now access all of the actual statistics used in calculating this important series, bringing new accuracy to your analysis. Printed details are also available. For further information contact FINSTAT on 071-702 0991.

UK COMPANY NEWS

Airtours shares jump 14% as forecast is raised again

By Jane Fuller

THE SHARE price of Airtours, the package holiday operator, jumped nearly 14 per cent yesterday to 778p as the company raised profit expectations to nearly four times last year's figure.

The new 1990-91 pre-tax profit estimate of £24.5m – earnings per share of 89p – from Barclays de Zoete Wedd, the company's broker, compares with £6.3m in the year to September 30 1990. Analysts had already raised forecasts from £13m to £18m as the benefits of the March collapse of International Leisure Group washed through.

Airtours' share price has risen sevenfold in the past year. Its market value stands at £167.6m and directors hold 51 per cent of the equity.

The company said its share of the summer holiday market had gone up to 13 per cent, compared with just under 7 per cent this time last year, and it had carried more than 60 per cent more people. With 770,000 customers last year, this meant a 1990-91 total of between 1.1m and 1.2m.

Neither the market share nor the passengers figure was new. The surprise for the market came more from the amount of profit made and the near £100m cash that Mr Harry Coe, finance director, said the group had on deposit.

Mr Coe gave three reasons for the 1990-91 bonanza:

- The collapse of ILG, the UK's second largest tour operator, had added about 200,000 customers. As ILG carried about 1.6m people last year, this more than took the sting out of a recession-induced decline in the tour market from 10m in 1990.
- Airtours was increasing its volume and market share anyway. "Even after the Gulf war when the market was down 35 per cent, we were 20 per cent ahead."
- A shortage of capacity in the peak summer holiday market enhanced margins. Far from discounts being given for late booking, brochure prices were charged.

The demise of ILG has also helped the two tour operators that stand ahead of Airtours in the package holiday league – Thomson and Owners Abroad. The latter is also quoted and its share price gained 4p to close at 110p yesterday.

Mr Coe said that with the top three covering 70 per cent of the market, their determination to avoid a price war should hold firm.

Airtours' expansion in the past year, with the help of a £15.4m share placing, has included setting up an airline which is already being expanded from five to eight leased jets. Mr Coe said it had contributed more than £1m profit.

He estimated that the package holiday market had declined by about 4 per cent this year – less than anticipated – and would grow by up to 7 per cent next year.

Airtours' share price rise this summer has made up for some previous slackness. It was not until March this year that the company overtook its March 1987 flotation price of 180p for the first time since the stock market crash of that year.

See Lex

WH Smith launches bid for rest of Waterstone

By Michiyo Nakamoto

WH SMITH, the retailing group, yesterday announced its offer for the Waterstone shares it does not already own as part of its phased acquisition of the book store chain.

The book retailing group agreed to buy Waterstone, which is headed by Mr Tim Waterstone, a former Smith employee, two years ago in a phased acquisition to be completed in 1993.

The offer of one new A ordinary share and 37p in cash for each ordinary Waterstone share, is higher than the minimum offer it is required to make this year.

It already owns 32.8 per cent of Waterstone, and was scheduled to make an offer of not less than 450p per ordinary share in October as part of that deal.

The offer values the issued share capital of Waterstone not already owned by Smith at £35.5m and each Waterstone share at about 480p. Smith shares, however, fell 2p yesterday to 435p.

Mr Waterstone, who started the book chain after he was dismissed from WH Smith's US operations, said he was not taking up the offer in respect of his remaining 5 per cent holding. He did not expect many institutions to accept the offer either.

In line with the earn-out agreement between Mr Waterstone, who has remained as chairman of the merged operating company, he and other investors could earn more than the minimum offer, depending on the profits performance of the company.

Since the merger of Waterstone's 30 shops with Smith's Sherratt & Hughes specialist book shop chain, which has largely been completed, the sales growth performance of the merged shops has been particularly good, Smith said.

ML disposal

ML Holdings has sold Hydro-Bond Engineering to a management consortium for £700,000, a surplus over net assets of £300,000.

Chairman quits as Vivat falls

By Peggy Hollinger

MR MICHAEL Cooper yesterday resigned as chairman of Vivat Holdings, the Lee Cooper jeans manufacturer 29.9 per cent owned by Wing Tai, the Singapore clothing company.

The announcement came as Vivat unveiled lower pre-tax profits of £934,000 (£1.03m) for the six months to June 30 and an attributable loss of £1.44m after extraordinary charges. The chairman also warned that Vivat would make substantially lower profits in 1991. The interim dividend is withheld, as last year.

Mr Cooper said that following a rights issue in October 1990 – in which Wing Tai increased its stake from 6.7 per cent aided by Cooper family interests – it had become increasingly likely that he would step down. He will be succeeded by Mr Christopher Burnett, chairman of the privately-owned group, Moorfield Holdings. The Cooper family retains a 6 per cent stake in the group.

The momentum achieved by Vivat, which returned to the black in 1990 following a restructuring, had not been maintained in the first half of 1991, Mr Cooper said. Turnover was more than halved at £50.1m (£103.7m).

The main factors behind the decline were depressed trading, political turmoil in Yugoslavia, and unexpected charges due to money owed on the sale of a subsidiary to Chelsea Man, the UK retailer.

Recession dealt a heavy blow to the core jeans business, which is expected to record a £1m loss in the UK this year. In the rest of Europe, Lee Cooper boosted both turnover and margins. Lee Cooper accounts for about 70 per cent of Vivat's turnover.

The high fashion Marshal business in Germany operated at a significant loss in the first half, Mr Cooper said. Unrest in Yugoslavia had blocked supply lines to Marshal and a design error in the second quarter had bruised customer confidence. Steps had been taken to cut costs, but prospects for the business were not encouraging, said Mr Cooper.

Vivat also decided to write off £2.2m as a result of the dispute with Chelsea Man, now in receivership. The group took a £1.8m charge last year for the £3.4m debt, and expects further charges in the second half to cover the costs of the legal dispute and responsibilities outstanding from the deal.

Mr Cooper said he did not expect the group to fall into the red at the trading level for the full year.

In May, Vivat sold its Spanish retailing business for £2.1m, a slight premium to net asset value, the chairman said. All trading losses were covered by the gain, he added.

Earnings per share were sliced from 8.3p to 1.4p.

Asda seeks a 'short-term' solution

John Thornhill and **Roland Rudd** on the food group's tussle with debt

THE FINE print of Asda's £357m rights issue document released yesterday revealed that the food retailing group has been desperately struggling under an unwieldy acquired mountain of £931m debt.

Mr Patrick Gillam, the recently-installed chairman, severely criticised the past financial management of the group and was at a loss to explain how Asda could have become burdened by so much short-term debt.

"At the moment the company has an unbelievable debt profile. It is a recipe for disaster," he said.

Mr Gillam appeared mystified that the company had rejected its financial advisers' recommendation at the time of the acquisition of 60 Gateway stores in 1989 to raise additional equity finance. The £704m consideration was funded almost entirely by means of short-term borrowings.

Asda had originally hoped to reduce its debts by way of asset sales, Mr Gillam said. But the decline in property values precluded the possibility of an "enormous" sale and leaseback deal on its superstores, while the market remained scarcely better to try to sell Asda's home furnishings business, Allied Maples, or its 25 per cent shareholding in MFI.

Asda's most pressing financial obligations now concern its short-term borrowings in the form of a multi-option facility and transferable term loan facility. These borrowings, amounting to £290m, are due for repayment in October and November this year.

Lydia van der Meer

Patrick Gillam: at a loss to explain how Asda was burdened by so much short-term debt

A further £133m will become due in April next year on redemption of a convertible bond issue.

The company said yesterday that if these facilities were not refinanced then the company might well breach its banking covenants.

Asda has now arranged a two-year committed facility of £200m with National Westminster and Swiss Bank Corporation. This is, however, conditional on the take-up of the rights issue.

But the rights issue is itself dependent on amendments to the covenants in Asda's multi-option facility and transferable term loan facility.

Mr Gillam was yesterday confident that these covenants could be successfully renegotiated. Although 27 banks are involved in the multi-option facility syndicate, the company only requires the approval of a majority of their votes, based on the value of each lender's commitment.

NatWest, which represents 24 per cent of the total, has already said it will support the necessary changes. Mr Gillam was hopeful of persuading at least the other big six banks involved – sufficient for the terms to be amended.

As at April 27, Asda's net indebtedness stood at £931.1m. This will be reduced to £537.7m following the rights issue, representing a reduction in the gearing ratio from 72.1 per cent to 36.6 per cent.

Although some institutional investors expressed dissatisfaction with the way the company had got into such a financial mess and its subsequent failure to explain the mounting problems, they appeared likely to back the rights issue given the generous yield of 8 per cent on the forecast dividend.

"At the end of the day I would rather have the company in the hands of the management than the banks," sighed one.

Cable and Wireless may change name in revamp

By Hugo Dixon

CABLE AND Wireless may change its name as part of a revamp of its corporate image ordered by Lord Young, its executive chairman.

The international telecommunications group is concerned that as it tries to knit its far-flung operations around the world into a more cohesive global organisation, it is not projecting itself sharply enough.

Similar considerations prompted British Telecom to change its name to BT earlier this year and replace its old logo with a Pan-like piper.

The current name is considered rather stodgy. Options being looked at include shortening it to Cable or abbreviating it to C&W, although neither has strong support.

There is also a desire to clarify whether the current name has an "and" or an ampersand in the middle. The company's own literature uses both versions.

Since Lord Young took over as chairman last year, he has sought to inject more marketing flair into the company, to complement the organisation's stress on engineering. This is intended to enable it to adapt better to an industry which is shifting from a monopoly to a competitive structure worldwide.

The company's advertising and public relations department are being restructured, and executives with experience in other industries brought in. One of the new recruits said: "The marketing revolution has passed C&W by."

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Allied Partner	int	0.5†	-	1	-	1.5
Computer People	int	2.1	Jan 6	2.1	-	6.2
Finlay Packaging	int	0.75	Oct 31	0.75	-	1.5
Headline Book	int	0.5	Oct 31	-	-	-
Headway §	fin	0.7‡	Nov 22	nil	0.7	1.9
High-Point	fin	4.95	Jan 2	4.95	7.5	7.5
Intl Resort §	fin	2.5☆	Dec 9	2	2.5	4‡
Steetley	int	5	Dec 5	5	-	14

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ☆Carries scrip alternative. ‡For 15 months.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Alexon, Arcolectric, Boosey & Hawkes, British Shoe, Broadstoner, Burnfield, Dolphin Packaging, Sears, Stylo, Sykes-Pickavant, Thorsis, Ward Group, Watts Blake Bearne

Finals- Beckman (A), Magnetic Materials, Ossory Estates, Raine Industries

FUTURE DATES

Interims-	
CSR	Nov. 4
Finlay (James)	Oct. 10
Helical Bar	Oct. 8
IRG	Oct. 4
Intl Comm & Data	Oct. 3
Melville Street Invs	Dec. 17
NMC Computers	Oct. 8
Transfer Technology	Oct. 10
Walker Greenbank	Oct. 8
Finals-	
European Leisure	Oct. 14
Intl Media Comms	Oct. 3
Pegasus	Oct. 8
Photo-Me Intl	Oct. 2
Welsh Industrial Inv	Oct. 4

Morgan Grenfell tops league of merchant bank advisers

MORGAN GRENFELL is the top UK merchant bank adviser for the second quarter in succession, according to the latest survey by FT Mergers & Acquisitions International magazine. But the preliminary league tables for the first nine months of 1991 reflect the subdued state of the market for UK publicly-quoted companies for most of this year.

The recent burst of activity has yet to feed through to the tables, which include only deals which have been completed, lapsed or referred to the Monopolies and Mergers Commission.

Morgan Grenfell holds on to its position with just two new qualifying deals since the half-year stage, totalling £144m. The top three banks in this table are far ahead of their rivals thanks to their roles in Northern Telecom of Canada's takeover of STC, which went unconditional in January.

J Henry Schroder Wagg, which is closing the gap between it and the leaders, appears to have been the busiest UK merchant bank over the quarter. It advised in nine new UK public bids totalling £558m.

The level of activity as measured by the performance of the top 10 ranking banks is proving rather stable. Ignoring the current bids by BTR, Williams Holdings and Hanson which have yet to qualify for the rankings, the top 10 banks at this stage account for 43 new bids this year, worth £4.04bn. Between them they mustered 18 new bids in the third quarter, worth £930m. This compares with 17 deals in the second quarter, worth £1.3bn, and 10 in the first three months of this year, worth £2.14bn.

The biggest new qualifying transaction over the summer was Electronic Data Systems' £162m hostile takeover of SD-Scicon.

Baring Brothers stays at the top of the table, which includes bids for private UK companies and subsidiaries, where the combination of debt-driven restructurings and strategy-driven disposals is an important influence.

Goldman Sachs continues to dominate the international rankings, but SG Warburg has taken up the chase with a vengeance, surging to second place largely because of its role as an adviser in the merger of the Iberduero and Hidroelectrica Espanola electricity utilities.

BID ADVISERS
Jan 1 to Sept 30 1991

Adviser*	Value £m	Bids
Morgan Grenfell (14)	1,864	7
Baring Brothers (1)	1,819	9
Goldman Sachs (9)	1,354	2
Schroder Wagg (2)	988	13
Lazard Brothers (3)	603	6
Hill Samuel (15)	400	3
Kleinwort Benson (6)	337	5
Samuel Montagu (4)	305	7
Hoare Govett (-)	280	5
NM Rothschild (8)	273	3

* Financial advisers named in bid documentation in completed bids for UK publicly-quoted companies. Final 1990 position in parentheses

INTERNATIONAL BIDS
Jan 1 to Sept 30 1991

Adviser*	Value $m	Bids
Goldman Sachs (1)	17,624	31
SG Warburg (9)	17,248	31
Lazard Group (-)	15,824	27
First Boston (5)	13,661	38
Merrill Lynch (4)	11,491	17
Morgan Stanley (2)	8,841	24
Schroder Wagg (3)	7,391	33
Morgan Grenfell (12)	4,229	21
Lehman Bros Intl (6)	4,062	13
BZW (13)	3,810	13

* Includes cross-border bids and domestic bids where a foreign bank has acted as an adviser. Final 1990 position in parentheses.

These securities have not been registered under the Securities Act of 1933 and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements. These securities have been previously sold. This announcement appears as a matter of record only.

NEW ISSUE

GRUPO GIGANTE

GRUPO GIGANTE, S.A. de C.V.

Global Offering
6,565,217 American Depositary Shares ("ADSs")
(Each Representing Ten Shares of Series B Common Stock)
Offer Price US$7.43 Per ADS

and

Mexican Initial Public Offering
131,311,978 Shares of Series B Common Stock
Offer Price $2,250 Mexican Pesos Per Share

United States Offering Under Rule 144A 3,580,000 ADSs

International Offering 2,985,217 ADSs

Inverlat International Inc.

Bear, Stearns & Co. Inc. — J. Henry Schroder Wagg & Co. Limited

Arnhold & S. Bleichroeder, Inc. — James Capel & Co. Limited

Kidder, Peabody & Co. — Paribas Capital Markets Group

UBS Phillips & Drew Securities Limited

Mexican Underwriter and Financial Advisor:
Casa de Bolsa Inverlat S.A. de C.V.

BIRMINGHAM

The FT proposes to publish this survey on
18th October, 1991
from its printing centres in Tokyo, New York, Frankfurt, Paris and London. It will be read by senior businessmen and government officials in 160 countries world-wide. If you want to reach this important audience, call Anthony Hayes 021 454 0922 or fax 021 455 0869. Or write to him at The Financial Times, George House, George Road, Edgbaston, Birmingham, B15 1PG.

FT SURVEYS

CABLE AND SATELLITE BROADCASTING

The FT proposes to publish this survey on
October 21 1991.
The FT is read by 50% of Heads of International Finance in Europes leading companies. If you want to reach this important audience, call Edward Bart on 071 873 4196 or fax 071 873 3062

Data source: IFM 1989.

FT SURVEYS

Notice to the Holders of
EUROPEAN INVESTMENT BANK
Italian Lire 150 Billion
Floating Rate Notes
Due 1996

Coupon no. 8 due from 30th September 1991 to 31st March 1992 will be payable from 31st March 1992 at the rate of 11$^{15}/_{16}$ %

Itl 300.234 per Itl. 5.000.000.- Nominal
Itl 3.002.340 per Itl. 50.000.000.-Nominal

Banco di Napoli International S.A. Luxembourg
Reference Agent Bank

27th September 1991

No clear passage for asthma debate

Daniel Green on the growing schism between differing treatments

THE $4bn-a-year asthma drug market has been thrown into disarray by the revelation that some treatments might be lethal to a small number of users.

Last week, the medical profession divided acrimoniously over which type of drugs should be the first line of attack against the disease. The big guns of the pharmaceutical industry quickly split to support one camp or the other.

A group of 15 asthma specialists from nine countries had recently set up the International Asthma Council (IAC). Last week it issued a set of medical guidelines which said that one class of asthma drug, called beta agonists, should be used sparingly and only in acute cases. It urged doctors to put more emphasis on prevention, using another class of drugs, anti-inflammatories.

A phalanx of professors and national asthma associations immediately attacked the IAC. They said that existing guidelines already encouraged preventive therapy and implied that the independence of the IAC was compromised because it had received money from Fisons, which makes two of the best-selling anti-inflammatories.

While the IAC counters that it was only providing an easily understood version of existing guidelines, more suited to the average general medical practice; its opponents say it has subtly adjusted recommendations to favour the Fisons products.

The IAC, in turn, gets some support from US health regulatory authorities. Officials there privately say that "the yellow flag has been raised on beta agonists".

This is not enough for the medical establishment. It accuses the IAC of being a self-selected group and of using the forum of an independent conference to launch its own agenda. It is particularly agitated over the timing of the publication of the IAC guidelines: the US National Institute of Health (NIH) is in the midst of finalising its own set of guidelines.

This is no mere academic debate. Not only are there large sums of money involved – in 1989 the UK National Health Service spent £217m, or 8 per cent of its drugs budget, on treatments for the country's 3m asthmatics – but the incidence of asthma is rising. That makes a large market share of particular long-term importance to drug companies.

Two UK companies, Glaxo and Fisons, make rival asthma treatments with combined sales of more than $1bn (£571m) a year. In recent months, both companies have launched new drugs which between them could bring in $500m annually by 1994, according to City analysts.

The Glaxo products, Ventolin and Serevent, are beta agonists, which work by relaxing airway passages. Glaxo shares fell for four days in succession last week while the debate raged.

Other makers of beta agonists include Schering Plough and Boehringer Ingelheim, both German, and Astra of Sweden.

The safety record of beta agonists is under scrutiny after researchers in Canada and New Zealand found that between 1980 and 1988, death rates from asthma increased by about one third. During the same period, prescriptions of beta agonists almost doubled.

What seems to carry the highest risk for patients is the excessive use of beta agonists. This is easily done because it is so simple for an asthmatic just to inhale a squirt when feeling ill, even if this means exceeding the recommended maximum dose.

While the rising death rate might be related to the greater use of beta agonists, similar results could also be blamed on the increased incidence of asthma, or on the propellant used in asthma inhalers or to the fact that the drugs are so effective that asthmatics delay vital visits to the hospital.

The Fisons products, Intal and Tilade, work in a different way. They are anti-inflammatories which prevent asthma by reducing inflammation in air passages.

The research results have sparked debate, and even soul-searching, in the medical community. Regulatory authorities have re-opened their files on beta agonists, but the IAC doctors were exasperated by what they saw as the dangerous slowness of the process by which recommendations are revised.

While some of its members acknowledge that publication of their guidelines could have been handled better, City analysts suggest that the guidelines received such an angry reception partly because the medical establishment is nervous: to accept that beta agonists are a health hazard would be to admit that health policy over several years has been misguided.

As a result, any changes to official guidelines are likely to be evolutionary rather than revolutionary.

Those changes are a matter of months away. US regulatory bodies such as the Food and Drug Administration (FDA) and the NIH are examining the status of beta agonists. The advisory committee of the FDA is looking at generic alternatives to Ventolin later this month and at beta agonists in general in December.

Until the later date, share prices in Fisons, Glaxo and other makers of asthma drugs are likely to fluctuate.

In the spring of 1992, the NIH is due to reveal its international guidelines on the treatment of asthma. These will be acceptable to the medical establishment, having gone through due consultative process.

They are, however, unlikely to be simple and concise and may therefore provide further impetus to the efforts of maverick groups of doctors such as the IAC.

Recession hits Computer People

By Alan Cane

REVENUES AND profits at Computer People Group, a leading UK supplier of specialist information technology staff with extensive business operations in the US, were sharply lower in the first six months of the year, as the recession on both sides of the Atlantic took its toll.

An 11 per cent drop left revenues at £34.8m (£39m). However, operating profits fell 67 per cent to £760,000 (£2.27m) while the pre-tax balance declined 69 per cent to £670,000 (£2.14m).

Earnings per share fell 69 per cent to 3.53p (11.25p) but the interim dividend is maintained at 2.1p.

The group started in computer staff recruitment, but in recent years expanded its scope through the supply of information technology consultants to help customers cope with the increasing complexity of modern data processing operations.

Mr Rupert Bayfield, chairman, said the recession in the UK and the US had affected the computing services industry more deeply than any in the past. "Revenues from the UK consultancy business declined 14 per cent through a 19 per cent decline in the average number of consultants on assignment."

He noted that the recruitment business had shown a progressive decline over the past 18 months with revenues in the first half of the year down 51 per cent over the same period in 1990, and 32 per cent down over the second half of last year.

Mr Bayfield said measures had been put in place to streamline the company and align staffing levels and overheads with current business levels.

These included the removal of a tier of management which had become superfluous with reducing business volumes, and measures to streamline the sales, support and administrative staff.

He believed that profits would be maintained at current levels in the second half of 1991 unless there was further deterioration in the economy.

Revenues from the US increased 10 per cent in dollar terms in the first half and represented 43 per cent of turnover.

Net gearing fell to 24 per cent at the end of June, compared with 45 per cent at the end of 1990. Net borrowings were down to £1.7m.

Headway back in the black

By Peter Pearse

HEADWAY, the USM-quoted consumer and industrial goods specialist hitherto known as Beaverco, reported pre-tax profits of £606,000 for the 15 months to June 30. In the 12 months to March 31 1990 losses totalled £177,000 pre-tax.

In an "extremely active" period, turnover on continuing activities emerged at £40.7m for the 15 months, against £53m for the previous year. The disposal programme, which included the divestment of Body Sculpture, the gymnasium equipment importer, was now "essentially complete".

The disposals and cash control measures reduced borrowings substantially and brought gearing down from 191 per cent to 83 per cent at the new year-end.

Had the £2.15m rights issue, announced in July, and the £1.63m out-of-court settlement from Pannell Kerr Forster, the group's auditors, in respect of the Body Sculpture accounts, both fallen within the 15-month period, gearing would have fallen to about 15 per cent.

Mr John Lees said that he would stand down as chairman and would be replaced by Mr Denis Cassidy following the annual meeting on October 29. The company has applied for a full listing and expects its introduction to take place on October 3.

Operating profits for the 15 months came to £1.85m, interest payable to £1.31m and earnings to 4.5p per share. In the 12 months previously, they had been £1.09m, £1.88m and losses of 1.5p respectively.

The company has returned to the dividend list with a single payment of 0.7p (1.9p).

Property gains push IRH to £3m

By Peggy Hollinger

INTERNATIONAL Resort Holdings, the USM-quoted golf course and hotel management group, yesterday announced annual pre-tax profits of £3.08m, buoyed by gains on property sales.

The result compared with taxable profits of £2.8m for the 15 months to March 31 1990. Turnover remained steady at £17.7m.

Mr Stephen Alexander, chairman, said the outcome was creditable, despite adverse trading conditions. Virtually all of the group's property development holdings had now been shed, he added.

Property disposals were part of the group's programme to refocus on core leisure interests. In May IRH sold its loss-making nursing care division – which accounted for about half of turnover – for £12.5m in a management buy-out. The sale helped debt to be halved to £9m over the last six months.

Collingtree Park, Northampton, the flagship golf course development, performed better than expected in its first year of operation, Mr Alexander said. It incurred a loss of £327,000, about half the forecast deficit. Three more golf course and hotel complexes were under development in Berkshire, Majorca and Israel.

About £20m was invested in the four developments during the year, he said. He hoped to announce further UK acquisitions in the near future.

IRH wrote off its £1m investment in a waste treatment project in Australia, following the collapse of its joint venture partner.

Earnings per share were 7.6p (11.2p). The dividend is 2.5p (4p for 15 months).

Falling interest helps Era cut losses

By Peggy Hollinger

FALLING INTEREST rates helped Era, the distribution and retailing group which includes the Beatties toy chain, shave pre-tax losses from £965,000 to £951,000 in its seasonally weaker first half.

Turnover for the six months to June 30 slipped by £1m to £28.7m. Interest charges fell from £943,000 to £799,000.

Mr Anthony Fay, chairman, said the group had concentrated on cutting costs and boosting gross margins in the first half. "We think these results are good in the current climate," he said.

Gross margins were up by about 1 percentage point across the board. Some 6 per cent of the more than 800 jobs were cut.

The retail side, which includes Beatties, the Tecno phonographic and video business, and Fox Talbot, the photographic specialist, suffered a slight decline in like for like sales.

However, the group was pressing ahead with a policy of "controlled expansion", Mr Fay said, and had opened three Beattie outlets, making a total of 63. It planned to open at least two more before the year end. Tecno outlets were revamped and improved sales were already coming through.

Retail operations account for two thirds of turnover.

Capital expenditure for the first half came to £1.5m, about the same as last year.

On the distribution side, Mr Fay said the group had taken a tough line on customer credit-worthiness: "We may have foregone some sales where credit risks were concerned." In general, however, turnover had remained steady.

The interim dividend is again passed; Mr Fay would not comment on prospects for the dividend at the end of the year.

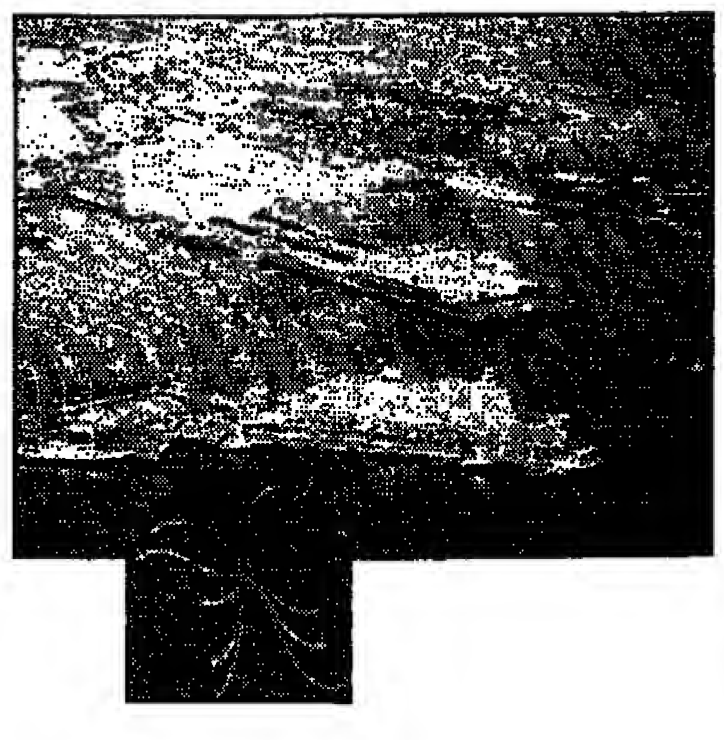
Losses per share edged up from 1.26p to 1.28p.

Bristol Channel incurs £389,000 loss

Turnover was halved at Bristol Channel Ship Repairers in the year to March 29 1991, and the group moved from a profit of £20,000 to a loss of £389,000.

Turnover came through at £737,000 (£1.55m).

Losses per share were 0.49p (earnings 0.03p). There were extraordinary credits of £859,000, being gain on sale of freehold property.



THE FIRST SPANISH PORT

The port of La Luz and Las Palmas is a privileged enclave on the maritime routes of Europe, Africa and America, situated in Gran Canaria. All types of operations are carried out here especially transshipment. There is the most up to date equipment for handling large cargos in a short period of time. The speciality is transit trade with a varied scale of services which cover the demand of all types of ships, from repairs to supplies passing through sales and installation of equipment to navigational help. It is a center of contracting perfectly tied to the rest of the world.

The Port of La Luz and Las Palmas offers good security, operates 24 hours a day and benefits for exemption to tax. The geographic situation, the areas security, the services offered, the climate of the Island etc., bave made it the busiest of that area of the Atlantic. It is the main Spanish port for shipping and a third of the national fish catch is handled in it.

It has a surface area of 1.743 hectares, 1.208.700 square meters of land area and 10.885 meters of mooring space. It possesses 32.250 meters of deposits. The urban support of the port is the city of Las Palmas, 400.000 inhabitants, the tourist speciality of the island and its capital and the nearness of the International Airport of Gran Canaria lends new attractions.

PUERTO DE LA LUZ Y LAS PALMAS

PHONE: 34-28-45 81 00 TELEX: 96004 JPLUZ - FAX 34-28-45 81 22 ISLAS CANARIAS - SPAIN

REPUBLICA ORIENTAL DEL URUGUAY
INTENDENCIA MUNICIPAL DE MONTEVIDEO
AVISO DE PRENSA

INTENDENCIA MUNICIPAL DE MONTEVIDEO
PRESTAMO BID 575/OC-UR

PROYECTO: SANEAMIENTO URBANO DE LA CIUDAD DE MONTEVIDEO

LLAMADO INTERNACIONAL PARA PRESELECCION DE EMPRESAS CONTRATISTAS DE OBRAS

OBRAS A CONSTRUIR:

I) Y II) INTERCEPTOR OESTE
Son dos obras de características semejantes que en conjunto comprenden:

a) La construcción de 6,8 Km. de interceptores que se extienden entre las Escolleras de Sarandí y la Estación de Bombeo de Punta Carreta compuesta por tuberías de hormigón simple y armado de las siguientes secciones:
a- circulares de diámetros entre 30 cm y 1,80 m
b- ovoides entre 1,35 x 0,90 m y 1,80 x 1,20 m
c- rectangulares entre 2,20 m x 1,90 m y 2,20m x 0,00 m y las obras de inspección necesarias;

b) La construcción de pequeños tramos de colectores para la conexión del sistema existente.

III) y IV) CUENCAS NACIENTES DE CHACARITA Y CANTERAS
Son dos obras de características semejantes que en conjunto comprenden:

a) La construcción de una red de colectores de tipo separativo con una longitud total de 150 kms compuesta por tuberías de hormigón simple y armado de las secciones:
a- circulares de diámetros entre 0,25cm y 1,20 m
b- rectangulares entre 1,10 m x 1,20 m y 1,40 m x 3,70 m y las obras de inspección necesarias.

V) CUENCA CHACARITA

a) La construcción de una red de colectores de tipo separativo con una longitud de 32 Kms compuesta por tuberías de hormigón simple de sección circular comprendidos entre los diámetros de 0,25 m y 0,60 m y las obras de inspección, etc. necesarias;

b) La reconstrucción de las conexiones domiciliarias existentes que serán afectadas por las nuevas obras.

VI) ESTACIONES DE BOMBEO Y VERTEDEROS
Es una obra que comprende:

a) La construcción y el equipamiento de las estaciones de bombeo de Guarani y Paraguay y sus vertederos y rejas.

b) La construcción y el equipamiento de las estaciones de bombeo de Maroñas y Flor de Maroñas y obras accesorias.

c) La construcción y el equipamiento de las estaciones de bombeo de Géminis, Casavalle y la modificación de la estación de bombeo existente en Chacarita y la construcción de las obras accesorias a ellas.

Las empresas interesadas en esta preselección, deberán considerar que las obras indicadas anteriormente son seis y se licitarán separadamente, en forma simultánea y las empresas podrán presentarse a una, o más de las licitaciones mencionadas.

Los detalles de la información a presentar, memoria y planos a escala reducida de las obras para la preselección, podrán ser adquiridos en la Intendencia Municipal de Montevideo, en la Unidad Ejecutora del Proyecto, Piso 9, todos los días hábiles desde el 10 de Julio de 1991 hasta el 15 Septiembre de 1991 en el horario de 13 a 19 horas.

Las empresas podrán consultar y recabar información sobre el Proyecto en la Unidad Ejecutora los días y horas antes indicados.

El costo de los trabajos será abonado con recursos provenientes del préstamo 575/OC-UR aprobado por el BID y de la contrapartida local, razón por la cual sólo serán elegibles las empresas originarias de países miembros del Banco.

Para la precalificación, la empresa deberá adjuntar la información que sigue:

a) Características de la firma	5 puntos
b) Experiencia de la empresa	35 puntos
c) Experiencia del personal	25 puntos
d) Equipos propios a ser asignados a la obra	20 puntos
e) Situación patrimonial y financiera	15 puntos
	100 puntos

Los puntajes indicados son los máximos asignados a cada ítem. La IMM por intermedio de la Unidad Ejecutora definirá el puntaje mínimo de adaptación para las distintas licitaciones mencionadas.

Las empresas, de acuerdo a los puntajes obtenidos, podrán ser clasificadas para actuar en una, varias o todas las licitaciones del préstamo. Será necesario que las empresas al presentarse a la precalificación indiquen en qué licitaciones desean ser precalificadas.

Para las obras I, III, IV y V) se estima llamar a licitación en los últimos meses del año 1991, para adjudicar e iniciar las obras en el primer semestre de 1992 y concluirlas a fines de 1994. Las obras II y VI) se estima licitarlas en los primeros meses de 1992 para comenzarlas en el 2do. semestre de 1992 y concluirlas fines de 1994.

Los interesados presentarán sus méritos y antecedentes en la Intendencia Municipal de Montevideo, Avda. 18 de Julio y Ejido, Piso 9, República Oriental del Uruguay, el día 16 de septiembre de 1991 a la hora 15.

La información deberá presentarse personalmente o por representante en forma. No se admite su envío por correo para evitar reclamos por inconvenientes de funcionamiento de ese organismo.

Se exigirá la presentación del recibo de compra de los recaudos. El precio de todos los recaudos es de N$ 500.00 (Nuevos Pesos Quinientos Mil).

MULTI-CURRENCY BOND PORTFOLIO
Société d'Investissement à Capital Variable
Registered Office: 2, Boulevard Royal L-2953 Luxembourg
R.C. Luxembourg B 24.797

The shareholders are hereby convened to attend an EXTRAORDINARY GENERAL MEETING

to be held on 17th October, 1991 at 3.30 p.m. at the offices of the Transfer Agent BANQUE INTERNATIONALE A LUXEMBOURG S.A., 69, route d'Esch in Luxembourg, with the following agenda:

To approve the merger of MULTI-CURRENCY BOND PORTFOLIO (the "Company") with MERRILL LYNCH MULTINATIONAL INVESTMENT PORTFOLIOS - GLOBAL CURRENCY BOND SERIES, a Luxembourg société d'investissement à capital variable with its registered office at 2, Boulevard Royal, L-2953 Luxembourg (the "New Fund") into its new Multi-Currency Bond Portfolio (the "Multi-Currency Portfolio"); and

upon hearing:
(1) the report of the Directors of the Company in relation to the merger proposal (the "Merger Proposal") published in the Mémorial, Recueil Spécial des Sociétés et Associations in Luxembourg and deposited with the Chancery of the District Court in Luxembourg, and
(2) the audit reports prescribed by Article 266 of the Luxembourg law on commercial companies,

(i) to approve and ratify the Merger proposal;
(ii) to accept the issue without charge of shares without par value of the same class A or class B corresponding to the Multi-Currency Bond Portfolio (the "New Shares") in exchange for the contribution of all assets and liabilities of the Company, at an issue price based on the audited net asset value per share of the same class of the Company as of the last Valuation Date thereof preceding the Effective Date, as defined in the Merger Proposal;
(iii) to accept the allocation of one New Share against one former share of the same class of the Company, in registered form to the shareholders of the Company (including some fractional entitlements);
(iv) to decide that, as a result of the merger, the Company shall be wound up and all its former shares in issue be cancelled, on the basis that all assets and liabilities of the Company shall be deemed to be transferred to the New Fund, all as of the Effective Date.

Resolutions on the agenda above will require a quorum of one half of the shares issued and outstanding, and a majority of 2/3 of the shares present or represented.

The following documents shall be at the disposal of the shareholders of the Company for inspection and copies thereof may be obtained, free of charge, from the Transfer Agent at 69, route d'Esch, L-1470 Luxembourg:
(i) the text of the Merger Proposal;
(ii) the prospectus of the New Fund;
(iii) the audited annual accounts at 31st May, 1988, 1989, 1990 and 1991 of the Company;
(iv) the audited annual accounts at 30th November, 1989, 1990 of the New Fund and its semi-annual accounts at May 31, 1991;
(v) the report of the Directors of the Company;
(vi) the reports of the special auditors of the Company and of the New Fund on the Merger Proposal.

Proxies should be sent to the Transfer Agent at its address above or by fax to Luxembourg (352) 4590-3331 no later than 3 days prior to the meeting date.

The Board of Directors

FREE STATE CONSOLIDATED GOLD MINES LIMITED
Registration No. 05/28210/06
(Incorporated in the Republic of South Africa)

GENERAL MEETING

Proposed Conversion of S Ordinary Shares to Ordinary Shares

The lifting of the Comprehensive Anti-Apartheid Act of 1986 adopted by the United States of America means that it is no longer necessary to retain the company's S ordinary shares as a separate class. Accordingly, as was originally envisaged in the circular relating to the creation of the S ordinary shares, it is proposed that a resolution to convert all of the S ordinary shares, both issued and unissued, into ordinary shares, be put forward for consideration by members.

For the benefit of holders of share warrants to bearer issued by Free State Consolidated Gold Mines Limited notice is hereby given that a general meeting of members will be held at 44 Main Street, Johannesburg, on Tuesday, October 29 1991, at 15h30 for the purpose of considering and, if deemed fit, of passing, with or without modification the following special and ordinary resolutions:

Special resolution

"That, the consent of the holder of all of the 1 559 093 issued S ordinary shares in the capital of the company having been received in terms of article 41(a) and pursuant to the provisions of article 40(h) of the company's articles of association:
– all of the 3 820 879 authorised S ordinary shares of 50 cents each, of which 1 559 093 have been issued, are hereby converted into ordinary shares of 50 cents each ranking pari passu in all respects with the existing ordinary shares of 50 cents each in the capital of the company;
– article 6(b) of the articles of association of the company is hereby deleted; and
– existing article 6(a) of the articles of association of the company is hereby renumbered 6."

Ordinary resolution

"That subject to the passing and registration of the special resolution proposed in terms of the notice convening this meeting, the directors are hereby authorised to allot and issue:
– to Anglo American Corporation of South Africa Limited (AAC) or as it may direct, no more than the number of ordinary shares of 50 cents each in the capital of the company as equals in value to the shares which the company may request be issued by AAC to the eligible employees of Free State Consolidated Gold Mines (Operations) Limited in terms of The Anglo American Group Employee Shareholder Scheme; and
– the remaining unissued ordinary shares of 50 cents each in the capital of the company in their discretion in terms of and subject to the provisions of the Companies Act, 1973, as amended."

The reason for proposing the special resolution is to provide for the conversion of the authorised and issued S ordinary shares in the capital of the company into ordinary shares. The resolution will have this effect and will delete from the articles of association article 6(b) which contains the conditions attaching to the S ordinary shares and renumber article 6(a) as 6.

The head office and United Kingdom transfer registers and registers of members of the company will be closed from Wednesday, October 23 to Tuesday, October 29 1991, both days inclusive.

Holders of share warrants to bearer who wish to attend in person or by proxy or to vote at the general meeting must comply with the regulations of the company under which share warrants to bearer are issued.

A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and, on a poll, vote in his stead. A proxy need not be a member of the company.

A form of proxy to enable members to vote for or against each of the resolutions or to abstain from voting is available from the transfer secretaries and the registered and London offices of the company. Proxy forms must be lodged with the company's transfer secretaries not less than 48 (forty-eight) hours before the time set for the holding of the meeting. Completion of a form of proxy will not preclude a member from attending the meeting.

By order of the board
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
Secretaries
per N B Stinton
Divisional secretary

Transfer Secretaries
Consolidated Share Registrars Limited
First Floor, Edura, 40 Commissioner Street
Johannesburg, 2001, South Africa
and
Barclays Registrars Limited
Bourne House
34 Beckenham Road
Beckenham
Kent BR3 4TU

Registered Office
44 Main Street
Johannesburg 2001
South Africa

London office
40 Holborn Viaduct
London EC1P 1AJ

Johannesburg
October 1 1991

The Mitsui Trust and Banking Company, Limited

The Board of Management of The Mitsui Trust and Banking Company, Limited announces that on 1st October, 1991 the results for the fiscal year ending March, 1991 were published.

Copies of this report may be obtained from their London office:

The Mitsui Trust and Banking Company, Limited
London Branch
5th Floor
6 Broadgate
London EC2M 2TB

London 1st October, 1991

U.S. $75,000,000

Comerica Incorporated

Floating Rate Subordinated Capital Notes Due 1997

Interest Rate	5.625% per annum
Interest Period	30th September 1991 31st December 1991
Interest Amount per U.S. $50,000 Note due 31st December 1991	U.S. $718.75

Credit Suisse First Boston Limited
Agent

SARAKREEK PARTICIPATIONS N.V.
ESTABLISHED IN CURACAO
NETHERLANDS ANTILLES

NOTICE of the Annual General Meeting of Shareholders to be held on October 23, 1991.

Notice is hereby given that the Annual General Meeting of Shareholders of SARAKREEK PARTICIPATIONS N.V. shall be held on October 23, 1991 at 3.00 o'clock p.m. local time at the offices of the company at the International Trade Center, Piscadera Bay, Curacao (N.A.) to approve the report of the Managing Director, the annual accounts of the company for the financial year ended on May 31, 1991, the cash dividend for the aforementioned financial year and to discharge the Management in conformity with the company's articles of incorporation.

The official agenda of the meeting may be inspected by all shareholders at the offices of the company and is available upon request.

Amro Trust Corporation N.V.
Managing Director

Dated: October 1, 1991

Management cuts at Laura Ashley

By Jane Fuller

LAURA ASHLEY, the fashion and furnishings group, yesterday announced a management reorganisation that will remove 100 jobs and cost more than £5m.

Mr Jim Maxmin, the new chief executive, said the annualised savings would be £2m. The £5m-£6m cost of restructuring would probably be treated as an exceptional item.

The group, which lost £6.7m last year, last week announced an interim profit of £530,000. After yesterday's announcement, analysts were revising their full-year forecasts downwards.

Ms Kimlan Cook, stores analyst at County NatWest, said she had pencilled in pre-tax profit of £1m for 1990-91, but was now forecasting a £4.5m loss after exceptionals, while staying with a £7.5m profit for next year.

The shares gained 1p to 86p, a similar level to that paid last year by the Japanese Aeon Group when it took a 15 per cent stake.

Mr Maxmin said the changes, under a programme called Simplify, Focus, Act (SFA), would not affect shop or production jobs. Last year, 1,000 jobs were cut in the UK when seven factories shut and a further 500 redundancies were made elsewhere.

The programme includes taking out layers of management in the UK and US, moving the US head office from a 178,000 sq ft building to something much smaller, and the closure of a cloth buying office in Chelmsford, Essex.

As mentioned in last week's interim review, £3m of capital spending would be incurred on upgrading and unifying computer systems.

Mr Maxmin said the group would be run as a single international business. "Laura Ashley has suffered from a fragmented management structure that has prevented a clear global brand strategy from being developed and implemented."

A global operations executive would be established. On the financial side "an immediate priority will be to improve the quality of management information and to achieve eight-day reporting by December 1992."

See Observer

Hanson ends ARC-Powell joint venture

By Roland Rudd

HANSON, the acquisitive conglomerate and Powell Duffryn, the fuel and distribution group, yesterday announced the termination of the ARC-Powell Duffryn joint venture.

Hanson, which generally keeps tight control on its operations, effectively ended the venture by buying Powell Duffryn out for £30m.

Powell Duffryn, one of the few companies to successfully defend itself against a Hanson hostile bid, has kept control of the concrete brickmaking business.

The venture was formed in 1984 when Powell Duffryn merged its quarrying and brickmaking interests with ARC's related interests in South Wales. Hanson bid for Powell Duffryn the following year.

On a pro-forma basis the deal will cut Powell Duffryn's borrowings by about half to £33m.

Mr David Hubbard, chairman, said gearing was likely to rise again into the mid thirties as the group continued its capital expenditure programme while profits remained low.

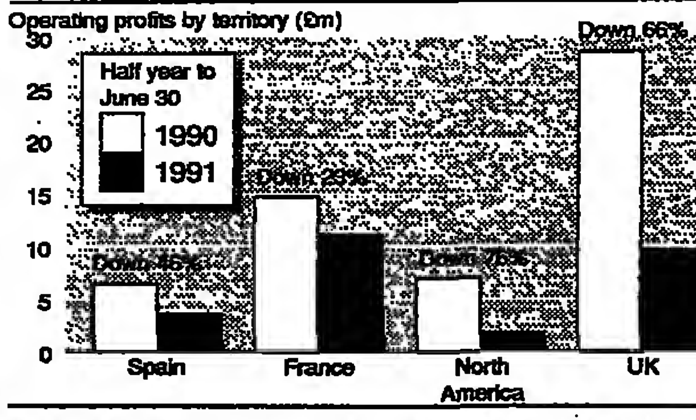
He said trading in the first half has been affected by the low levels of activity particularly in railway engineering.

A fall in engineering orders was responsible for a 14 per cent decline, from £33.6m to £28.9m, in taxable profits for the year to end-March.

Continental decline contributes to substantial fall at Steetley

By Andrew Taylor, Construction Correspondent

Steetley



Richard Miles: UK margins remain under pressure

THE RECESSION in the construction industry and bad winter weather caught up with Steetley during the first six months of this year.

Profits of the building materials group fell sharply in all of its main areas of activity including continental Europe. This region until recently had helped offset declining profits in the UK and US. A divisional breakdown of the first half performance showed that:

- UK operating profits fell by two thirds to £9.6m. The company's brick prices have fallen by 9 per cent during the past 12 months. Mr Richard Miles, group managing director, said that brick sales had fallen by more than 30 per cent from their peak in the late 1980s. Aggregate sales in the first half dropped by about 20 per cent. Margins are likely to remain under pressure he said.
- French profits fell from £14.6m to £11.2m. Steetley said that concern over the funding of French support for the Gulf war had contributed to cuts of about £1bn in infrastructure spending plans this year. Bad weather in January and February had also inhibited construction work and led to lower first half profits. Even so, spending on transport is likely to be lower than had been planned.
- In Spanish profits fell by 46 per cent from £6.8m to £3.7m. Corresponding profits, however, were inflated by property sales. The underlying profits fall was nearer 30 per cent. Spanish authorities have recently reined in public expenditure on infrastructure. This has meant that projects such as the Madrid ring road have had to be postponed.
- The fall in North American profits, down 76 per cent to £1.7m was the heaviest in any division. The Ontario economy remains deeply depressed. Sales of Canadian steel companies, a main customer of limestone, declined 10 per cent in the first six months of this year, said Mr Miles. Prospects of a recovery in Canada were tied to the performance of the US economy, he said.

Mr Miles said that the group's financial position remained strong even though borrowings had increased to meet deferred payments arising from last year's French acquisition. As a result gearing, temporarily, had increased to more than 60 per cent. This was expected to reduce to about 55 per cent by the year-end.

SCIT adjusts minimum value of ASIT bid

By Philip Coggan, Personal Finance Editor

Scottish Cities Investment Trust yesterday increased the minimum cash value of its £18m bid for Anglo Scandinavian Investment Trust after buying shares in the market.

The minimum cash offer is now 82p after SCIT bought shares at that level to increase its stake from 10 to 12.2 per cent. SCIT also has acceptances in respect of 14.99 per cent of the ordinary shares. Scottish Mercantile Investment Trust, an associate of SCIT, now owns 490,000 ASIT warrants, 12.3 per cent of that class of equity.

ASIT made no further response to SCIT's offer yesterday. The cash offer is 82 per cent of ASIT's formula asset value and there is a share offer of 90.25 per cent of fav.

Ramco tumbles to £225,000

By Deborah Hargreaves

PRE-TAX PROFITS of Ramco Oil Services, which provides pipes to the North Sea oil industry, were more than halved from £645,000 to £225,000 in the six months to end-June, as maintenance work in the North Sea overtook oil exploration and pipe demand dropped off.

But the company reported success in its efforts to expand overseas during the period, when it gained a sizeable contract to supply pipe-finishing services to Nippon Steel's Yawata mill in Japan.

The contract runs for two years and marks the company's first move into Japan.

In addition, Ramco will provide pipe finishing on the Island of Flora in northern Norway for an expansion of offshore services.

During the first half, the group set up the infrastructure for its joint venture with the Soviet Union – Ramco Alnas – to sell soviet oil pumps to the western oil business. Oil pumps have now been installed on a trial basis at Mobil in Canada and Texaco in Germany.

Mr Stephen Remp, the chairman, said Ramco now had an inventory of some 60 soviet pumps, with half of them held in the US and half in Rotterdam.

It is targeting three markets for the sale of pumps: the US, continental Europe; particularly Germany and France, and North Africa.

"We are very satisfied with the quality and delivery schedules, but we have a difficult job to persuade western companies that this is a high quality product that will work," said Mr Remp.

He said he hoped, by the end of the year, to have sufficient commitments for pumps in 1992 to make this part of the business profitable.

Ramco has also joined the consortium headed by Amoco, the US oil company, for exploiting the Azeri oilfield in the Azerbaijan sector of the Caspian Sea.

It is included in a British Petroleum–Statoil group that will hold 20 per cent of the western involvement – expected to be 50 per cent of the joint venture.

The company also bought out its minority partner in Ramco Carlson, which provides containerised pipe-coating plants.

Turnover slipped from £2.5m to £1.9m in the first half of 1990 and earnings per share fell to 0.94p (1.89p).

COMPANY NEWS IN BRIEF

BOXMORE INTERNATIONAL has acquired the European Airopak business from Air Products; Boxmore announced the acquisition of the UK Airopak operations on August 1 and will pay over £2m cash for both the UK and European businesses.

BROMSGROVE INDUSTRIES is buying Jacques Cable Systems, a supplier of safety products, for an initial £3m and a further maximum profit-related payment of £750,000. Jacques reported profits of £416,000 on turnover of £3.7m in 1990.

MACARTHY: As at September 27, Lloyds Chemists owned, or had valid acceptances for 17.9m ordinary (65 per cent); 360,500 5.5 per cent preference (87.2 per cent); and 239,400 6 per cent preference (89.8 per cent). Offers extended to October 11.

SALE TILNEY has agreed to sell RL Stott (IoM), its Isle of Man stockbroking subsidiary, to Brown Shipley Manx Holdings. Consideration is £725,000 cash before adjusting for certain cash balances held by Stott. Sale bought Stott for £3.4m in 1986 with the intention of expanding its financial services division; benefits anticipated did not materialise because of 1987 stock market crash and a significant downturn in activity following the acquisition.

SUTER has sold Hindle Hamer, trading under the name of Hamer Judd International, to the JM Huber Corporation of New Jersey. Consideration for Hamer, which makes industrial valves, comprises an initial $2.4m with further payments up to an overall $3m.

TANJONG TIN Dredging has called EGM for October 23 to approve acquisition of PMP, rights and public issues, and sale of Tanjon Tin Dredging (Malaysia). If proposals not implemented group will show a loss for 1991 – for first half loss is £38,000 (profit £5,000).

WELPAC is buying Merchant Pre-Packs and its sister company Atlantic Hardware for a total of about £335,000, satisfied by the issue of 1.63m shares and approximately £60,000 cash. Welpac is also raising £223,000 by way of a placing of 1.31m shares to cover the acquisition expenses and working capital.

WILLIAMS HOLDINGS has confirmed the purchase of Fire Eye, the US fire protection arm of Rockwell, for $60m (£34m).

EDUCATION FOR INDUSTRY

The FT proposes to publish this survey on 24 October 1991

It will be of particular interest to the 76% of senior businessmen responsible for training and personnel who are regular FT readers. If you want to reach this important audience, call

Sara Mason on 071 873 3349 or fax 071 873 3064.

FT SURVEYS

THIS NOTICE IS IMPORTANT AND REQUIRES THE IMMEDIATE ATTENTION OF HOLDERS OF BONDS. IF HOLDERS ARE IN ANY DOUBT AS TO THE ACTION THEY SHOULD TAKE, THEY SHOULD CONSULT AN INDEPENDENT FINANCIAL ADVISER AUTHORISED UNDER THE FINANCIAL SERVICES ACT 1986 WITHOUT DELAY

ASDA FINANCE LIMITED
(the "Issuer")

£73,000,000

10¾ per cent.
Convertible Capital Bonds 2005
(the "Bonds")

Guaranteed on a subordinated basis by

ASDA GROUP PLC

Adjustment to Exchange Price

On 30th September, 1991 Asda Group plc announced its proposal for the issue of new ordinary shares by way of rights to ordinary shareholders on the register at the close of business on 9th October, 1991 at a price of 35p per share on the basis of 9 new ordinary shares for every 10 ordinary shares held (the "rights issue").

NOTICE IS HEREBY GIVEN to holders of the bonds (the "Bondholders") that the price at which the 2 per cent. (net) Exchangeable Redeemable Preference Shares 2005 in the Issuer (which are issued to Bondholders on conversion of the Bonds) are exchangeable for ordinary shares in Asda Group plc (the "Exchange Price") is expected, subject to the rights issue becoming unconditional, to be adjusted in the manner provided in the Articles of Association of the Issuer on and with effect from Wednesday, 16th October, 1991.

The adjusted Exchange Price will be calculated using the following formula:—

$$\text{Adjusted Exchange Price (pence)} = 125 \times \frac{(A + B)}{(A + C)}$$

Where A represents the number of ordinary shares in Asda Group plc in issue on 30th September, 1991; B represents the number of ordinary shares in Asda Group plc which the aggregate gross proceeds of the rights issue could purchase at 61 pence (the "Market Price") (being the average closing price of Asda Group plc ordinary shares on the London Stock Exchange on the five consecutive business days preceding the announcement of the rights issue); and C represents the number of ordinary shares in Asda Group plc offered for subscription by way of rights.

A Bondholder delivering his Bond in order to exercise his conversion and exchange rights on or before 8th October, 1991 will qualify for the rights issue in respect of the ordinary shares issued on such exercise. A Bondholder delivering his Bond in order to exercise his conversion and exchange rights after 8th October, 1991 will not qualify for the rights issue in respect of the ordinary shares issued on such exercise. However, once any adjustment to the Exchange Price has become effective, a Bondholder who has delivered his Bond in order to exercise his conversion and exchange rights in the period after 8th October, 1991 and before such adjustment takes effect will be entitled to receive such additional ordinary shares as he would have received had he exercised his conversion and exchange rights at the adjusted Exchange Price. Conversion and exchange rights exercised by delivery of Bonds on or after 16th October, 1991 will take effect at the adjusted Exchange Price.

It is expected that Notice will be given to Bondholders on 17th October, 1991 of the appropriate adjustment to the Exchange Price arising from the rights issue.

Issued by
S. G. Warburg & Co. Ltd.
a member of the SFA
on behalf of Asda Group plc
Date: 1st October, 1991

NEWS DIGEST

£0.5m loss at Allied Partnership

ALLIED PARTNERSHIP Group went sharply into reverse in the six months to June 30 with a pre-tax loss of £487,000 compared with profits of £2.42m in the corresponding period. Turnover fell from £57.9m to £33.6m.

Mr Martyn Rose, chairman and chief executive of the environmental contracting company, said that although the figures reflected the impact of the continued recession and the exceptionally difficult trading conditions, considerable action had been taken to reposition the group.

Costs, which were reduced by more than £3m in 1990, had been reduced by a further £1m, and work on divesting the remaining peripheral activities continued. The £7.44m raised by the placing and open offer in July has strengthened the balance sheet.

Losses per share were 0.39p (2.31p earnings) after a tax credit of £192,000 (£646,000 charge); the interim dividend is halved to 0.5p.

There was an extraordinary loss of £1.39m, the majority of which – £1.12m – was attributed to the continued reconstruction at United Forktrucks.

Laser-Scan loses way at £246,000

Laser-Scan Holdings, a maker of micrographic equipment and digital mapping systems, saw its pre-tax profit fall from £730,000 to £246,000 in the first half of 1991. Turnover, however, rose 16 per cent to £4.87m.

The profit reduction was in part the result of increased building occupancy costs arising from the five-year rent review; also the margin generated in the Geographic Systems division was diluted by a high proportion of third party hardware sales.

An improved contribution from North America was anticipated for the current year. If achieved, it would in part offset the traditional seasonal pattern in UK business.

Earnings per share in the half year came to 1.2p (4.5p).

Finlay Packaging returns to black

Belfast-based Finlay Packaging returned to the black with pretax profits of £206,000 for the six months to June 30. These compared with losses of £243,000, incurred as a result of a £368,000 deficit at Olympic Containers, the Stockport-based subsidiary which is now closed.

Turnover fell to £4.77m (£5.88m), though if last time's Olympic contribution is stripped out, there was a £201,000 rise. Earnings emerged at 1.85p (losses 2.53p) and the interim dividend is unchanged at 0.75p.

Headline Book makes progress

An 18 per cent increase in sales and 28 per cent advance in pretax profits were achieved by Headline Book Publishing in the first half of 1991.

The group came to the market in April at a price of 100p. Yesterday the shares closed at 133p, a rise of 4p.

Turnover reached £4.42m (£3.76m) and profit was £378,000 (£296,000) after reduced interest charges of £76,000 (£106,000).

Mr Tim Hely Hutchinson, managing director, said the cash raised by the placing enabled indebtedness to be eliminated. "We have begun investing the substantial cash resources in good publishing projects for 1992 and beyond," he added.

Results demonstrated further progress despite less than ideal retail market conditions at the beginning of the year. Sales in the third quarter were substantially ahead of 1990.

Earnings per share were again 3.2p and an interim dividend of 0.5p is declared.

Exploration Co and El Oro Mining

Reduced first half profits were reported by El Oro Mining and Exploration, the investment dealing group.

The taxable outcome for the six months to end-June amounted to £1.09m, down from £1.34m in the comparable half of 1990. Earnings per stock unit emerged at 18.51p (19.68p).

Meanwhile, The Exploration Company saw static profits of £1.34m pre-tax over the same period for earnings of 7.57p (7.36p) per stock unit.

Mr Michael Woodbine Parish, the financier who chairs both companies, said that the second half had got off to a "fair start".

BCMB depositors to be paid today

The joint supervisors of British & Commonwealth Merchant Bank confirmed that the first pay-out to depositors, of 45p in the pound, will take place today.

Mr Stephen Adamson and Mr Gareth Hughes, of Ernst & Young, said that, contrary to a newspaper report, no legal objection to the voluntary arrangement had been received by the deadline of 4pm yesterday.

Present indications were that all creditors should be paid in full, with interest, they added.

Interest knocks High-Point back

After higher interest charges, pre-tax profits at High-Point, the consulting engineer and project manager which does nearly half its business with governmental bodies, fell from £2.52m to £1.74m in the year to May 31.

Mr Ian Reeves, chairman, said that the results should be "viewed against the background of the worst construction industry recession for 40 years". Turnover was up nearly 10 per cent at £58.7m (£53.7m) and operating profits were broadly maintained at £4.28m (£4.34m). This, said Mr Reeves, was in spite of substantial losses in Rendel Science & Environment and in the US operations.

Interest charges increased to £2.54m (£1.96m). Earnings declined to 24.4p (33.7p) per share and an unchanged final dividend of 4.95p is proposed for a maintained total of 7.5p.

BG Technology net assets fall sharply

Net asset value per share of Baillie Gifford Technology fell to 28.4p at August 31, compared to 40.9p six months' earlier and 49p in August 1990.

Attributable profits tumbled to £36,000 (£215,000) leaving earnings at 0.33p (1.95p).

At August 31 the amount invested in unlisted UK securities totalled 78.2 per cent of net funds, compared with 56.1 per cent at the February year end and the percentage in short-dated UK gilts fell from 40 to 14.6.

Intl Comm & Data progress continues

Recorded sales of International Communication & Data showed little change over the six months to August 31, but there was a return to profits with £404,000 pre-tax against a corresponding loss of £82,000.

Turnover was £3.97m (£3.98m). The results included a contribution of £33,000 from Limebrook Computer, trading as Lindor, which was acquired in August.

In the second half of last year the interim loss was wiped out and a profit of £880,000 recorded for the year overall.

Directors were pleased at the continued progress in the restoration of profitability. They anticipated further progress in the second half.

The reduction in the share premium account passed at the AGM had paved the way to pay dividends in the future, subject to an application to the High Court being granted.

Earnings per share were 0.93p, against losses of 0.23p last time and earnings of 2.28p for the whole of last year.

URBAN DEVELOPMENT

The FT proposes to publish this survey on November 11 1991.

The FT is read by 47% of Chief Executives of Europe's largest companies who expect their spending on premises/industrial sites to increase. As the FT is also the leading daily publication for reaching relocation decision makers in the UK, this survey will be of vital importance as an advertisement medium. To receive the editorial synopsis and advertisement details, contact,

Ruth Pincombe
Financial Times,
Alexandra Buildings,
Queen Street,
Manchester M2 5HT
Tel: 061 834 9381
Fax: 061 832 9248

Data source: Chief Executives in Europe 1990 BMRC Property Decision Makers 1990

FT SURVEYS

BANESTO FINANCE LIMITED
USD 200,000,000 Subordinated Floating Rate Notes due 1994

In accordance with the terms and conditions of the notes, notice is hereby given that for the three months' period from September 30, 1991 to December 31, 1991 the notes will carry an interest rate of 6.20% (including the margin of 0.70%). The coupon amount so calculated will be USD 15,844.44 for USD 1,000,000 denomination notes.

Banque Generale du Luxembourg S.A.
Reference Agent

NIPPON STEEL INTERNATIONAL FINANCE Plc
US $12,000,000
Floating Rate Notes 1992

Interest Period: 30th September, 1991 to 31st December, 1991
Interest Rate: 6.10% per annum
Interest Payment due 31st December, 1991
per US $1,000,000 Note US $15,558.89

Nippon Credit International Limited
London
Agent Bank
1st October, 1991

U.S. $400,000,000
BankAmerica Corporation
Floating Rate Subordinated Capital Notes Due 1996
(originally issued by)
BankAmerica Overseas Finance Corporation N.V.

Interest Rate	5.625% per annum
Interest Payment Date	31st December 1991
Interest Amount per U.S. $50,000 Note	U.S. $718.75

Credit Suisse First Boston Limited
Agent

Kleinwort Benson

Kleinwort Benson Private Bank is pleased to announce that with effect from 1st October 1991 the Mortgage Management Account interest rate will reduce to 11.35% per annum, the mortgage base rate will be 11.45% per annum. The mortgage base rate applicable to clients of Clerical Medical Investment Group mortgage schemes will also be 11.45% per annum.

Nationwide
Building Society

£300,000,000
Floating Rate Notes Due 1996
(Second Series)
(Issued by Nationwide Building Society)

Interest Rate: 10.7675% per annum

Interest Period: 30th September, 1991 to 31st October, 1991

Interest Amount per £5,000 Note due 31st October, 1991: £45.72

Interest Amount per £50,000 Note due 31st October, 1991: £457.25

Agent Bank
Baring Brothers & Co., Limited

FUJI PHOTO FILM CO. LTD.
4¾% Convertible Bond loan 1983 due 1993
originally amounting to Dfls. 100,000,000

The undersigned, trustee for abovementioned loan, herewith announces that due to the free distribution of new shares of common stock of the company, the conversion price has been adjusted into Jap.Yen 1,829.90 per share of common stock of the company effective as from October 21, 1991, inclusive.

Amsterdam, September 26, 1991
DE TWENTSCHE TRUST-MAATSCHAPPIJ N.V.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Pool purchase price £/MWh	Pool selling price £/MWh	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

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هكذا من الأصل

COMMODITIES AND AGRICULTURE

Soviet revelations boost gold price

By Kenneth Gooding, Mining Correspondent

THE GOLD price rose strongly yesterday afternoon as the market absorbed the implications of details about the former Soviet Union's reserves and production given by Mr Grigory Yavlinsky, a leading economist. His revelations were "a little short of sensational, but only a little short," said one analyst.

Another commented: "This could produce a major change in the way the gold market looks at the Soviets".

Mr Yavlinsky, who is drawing up plans to transform the former Soviet Union into a market economy and also is drafting an agreement for an economic union to embrace all 15 former Soviet republics, implied in a television interview that there were no big stocks of gold to help the republics out of their economic difficulties.

He said the Soviet Union had sold vast quantities of gold last year, cutting its reserves to about 240 tonnes which was approximately the present annual rate of production. Mr Yavlinsky added: "Over one year we cut our gold reserves by more than two thirds. We have pawned 110 tonnes of gold. We are unable to redeem it and it stays over there (outside the former Soviet Union".

Analysts, who are frequently sceptical about unofficial statistical information from Soviets, pointed out that Mr Yavlinsky had the reputation of being an honest and straight forward man. He was not a politician and had no particular axe to grind. "He has seen some numbers, maybe not all the numbers, and called it as he sees it," said one.

Mr Philip Klapwijk of the Gold Fields Mineral Services consultancy group said the production figure given seemed "reasonable". The gold reserves total was "remarkably low but not inconceivable." He pointed out that the 240 tonnes in reserves referred to by Mr Yavlinsky obviously were those held by the Ministry of Finance.

The Soviets also had 375.4 tonnes held by the State Bank (Gosbank). Mr Alexandre Doumnov, deputy managing director of the international monetary and economic department of Gosbank, has given this figure twice recently but insisted at the same time there was no intention of selling any of the precious metal or moving it abroad as collateral for loans.

Mr Klapwijk said that the 110 tonnes of gold which Mr Yavlinsky had indicated the Soviets had swapped (sold but with an agreement to buy back at a later date) in the west was also lower than most previous estimates.

There was some scepticism about the reserves figure. For example, Mr Richard Levine, Soviet specialist at the US Bureau of Mines in Washington, pointed out that five years ago it was estimated the Soviet Union had between 2,000 and 3,000 tonnes of gold in its reserves. Two years ago officials insisted it had some of the biggest gold reserves in the world. "Where did the gold go? How did they dispose of it?" he asked. "It hasn't shown up in western estimates or entered the market. I not sure we're getting the full figures."

Mr Michael Coulson, analyst with the Durlacher West financial services group, suggested that the fact that the Soviets seemed to have no big stocks of gold to pour into an unwelcoming market was one more factor pointing to higher prices. Added to other factors such as falling gold production and the lack of incentive for producers to sell forward, this indicated "the gold price has only one way to go – up".

While the European markets remained unconvinced, operators in New York agreed with Mr Coulson and pushed the price up sharply yesterday to about $356 a troy ounce in early trading. This influenced late activity in London where the gold price closed last night at $354.55 an ounce, up $5.40 from Friday's close.

Zairean metal output hit

FOREIGN MINEWORKERS evacuated from southern Zaire say production at Gecamines, the state-run mining company, has been seriously affected following last week's violence by mutinous soldiers, writes By Mike Hall in Lusaka.

Mr Patrick Kippes, a French engineer for the Societe Generale des Carrieres et des Mines, said: "All the mines and metallurgical operations have slowed down to less than 50 per cent of capacity."

Gecamines is the world's biggest producer of cobalt, and the third largest producer of copper. The company's exports, which include diamonds and other minerals, account for about 75 per cent of Zaire's foreign exchange earnings.

Mr George Loix, another Gecamines engineer, said the mines at Kolwezi, where he had worked, had been completely closed down.

Canadian tin mine to close

NORTH AMERICA'S only tin mine will close next January when Rio Algom, the Canadian subsidiary of British mining group RTZ, ends operations at its East Kemptville property in Nova Scotia, writes Bernard Simon in Toronto.

Rio Algom blamed low tin prices and the buoyant Canadian dollar for the shutdown of the six year-old mine, which has been plagued throughout its brief life by technical and financial problems.

A company official held out little hope of the mine reopening. "If there was a chance of reopening it, we would have gone for a temporary close down," he said. The shutdown will cost 220 jobs.

East Kemptville produced 4,035 tonnes of tin in 1990. Output this year will be slightly higher following the installation of a flotation system to recover fine particles of ore.

Plans outlined for remodelled cocoa pact

By Lim Siong Hoon in Kuala Lumpur

WITH COCOA prices now widely expected to rise over the next few years, the Malaysians and the French have found common ground in initiatives aimed at establishing a new price-stabilising international agreement.

A proposal from Merkuria-Sucden, a subsidiary of Sucrés et Denrées, the big French trade house, has advocated a pact modelled on the International Natural Rubber Agreement (in which Malaysia is a leading member), but the Malaysian plan also unveiled at a conference that ended on Friday in Kuala Lumpur, went further. It contained three main elements:

● Halting the expansion of cocoa cultivation until prices recover sufficiently. The suggested benchmark was $2,266 a tonne, the median price of the moribund International Cocoa Agreement, and nearly $1,000 above the ruling world market level;

● Establishing a network of national stockpiles managed by a central authority comprised of producers only;

● Creating a joint producer-consumer corporation for the disposal of stocks, for instance, as animal feed. Stocks would remain "mothballed" at prices below $1,870, the lower intervention price, at which buffer stock purchases were triggered before the agreement ran out of cash.

Though Mr Lim said he was merely "thinking aloud", his "proposition" clearly outlined Malaysia's position for its backing of any future agreement – the country is not a member of the present pact. He has ruled out using export quotas.

The Malaysian plan calls for, without insisting on, financial support from consumers or from the International Monetary Fund – a proposal that would indirectly involve the US in an agreement.

Mrs Martha Stein-Sochas, of Merkuria-Sucden, noted in her paper that the existing agreement suffered from the absence of participation by the US, the largest consuming country, as well as the absence of financial contributions from other consumers.

Malaysia's plan omitted details of how financing would be shared if stockpiles were dispersed rather than pooled. Mr Lim thought that "national stocks could be self-financing through rising prices". The plan suggested no changes to the existing buffer stock price intervention range.

Various forecasts are pointing to a decade of higher growth in cocoa consumption than in production, shrinking stockpiles and rising prices.

Forecasts by Mr Merrill Bateman, president of Commodity Information of the US, and E.D. & F. Man, London-based commodity broker, were that the stock ratio would begin falling during the decade from its 1990-91 peak of 67 per cent of annual consumption.

Given 1991-92 consumption of 2.47m tonnes, the production deficit for the coming season would be expected at between 30,000 and 120,000 tonnes, the latter estimate being the more likely because of lower rainfall around the Pacific, according to Mr Bateman.

Even if the weather was favourable, consumption growth would exceed production growth by between 2 and 4 percentage points over the next three years, forecasters expected. By October 1995, the build-up in the production deficit would remove nearly 400,000 tonnes from the existing world stockpile, estimated at 1.55m tonnes by the International Cocoa Organisation and at 1.62m tonnes by Sucden.

"For the grower who can maintain his plantation through the next few years, the outlook must be brighter from the 1992-93 season on," said Mr D Hulin, of E.D. & F. Man.

In poor weather, depletion of the existing stockpile could reach an extraordinary pace, losing nearly 400,000 tonnes within two years, according to Mr Bateman's forecast. Prices could jump to almost £1,700 a tonne, a level last seen six years ago.

Delegates pleased by 'positive' coffee talks

By David Blackwell

DELEGATES to the International Coffee Organisation left last week's talks in optimistic mood although world market prices were tumbling.

The decline continued yesterday, taking London's November robusta contracts down £34 to a 16-year low of £487 a tonne. New York arabicas were down 3.35 cents at 82.35 cents a lb in late trading after falling more than 3.5 cents on Friday. This was not so much because the coffee talks had failed to come up with any concrete way of boosting the market but because of weekend showers and forecast rain in Brazil's coffee growing areas.

The coffee organisation has decided to take the route chosen by the International Cocoa Organisation last June and set up a working group to study possible ways forward. At the same time, the agreement, which has operated without economic clauses since July 1989, has been extended by a year to September 1993.

Mr Robert van Schaagen, the consumer spokesman, said the mood of the meeting was much more positive than it had been for some time. "We are relieved that at least we have made some progress and the coffee organisation is still intact." Mr Valdemar Carneiro Leao of the Brazilian delegation said: "Basically it is a very good compromise. Most people left the room with a feeling that we had acheived something."

Brazil came to the talks armed with a plan originally thought up by Colombia to implement a scheme through which exporters would retain 10 per cent of their production. However, this proved totally unacceptable to the US, the biggest consumer, which warned that such a scheme would kill off the coffee pact.

Both sides appear to have made concessions in coming to the final resolution, recognising that "the continuation of the present market situation, with real prices of coffee at their lowest levels since the 1930s, is having a highly damaging impact on the economies of the coffee producing countries and is jeopardising future prospects for maintaining production and quality."

The working group will first meet in December, and will be expected to bring forward proposals to the next ICO council meeting in April. But analysts say the ICO is not now likely to have any effect on coffee prices for at least another two years – the length of time that it would take to implement a new agreement with economic provisions.

Brewing fresh attitudes among the oast-houses

Hop growers learn to live without their monopoly

TIME WAS when conventional arable farmers like me hoped our daughters would marry hop farmers. Growing hops, or so we believed, was the farming equivalent of owning a TV franchise. Today, both activities are a little less secure.

It is, indeed, salutary to note that although the UK hop industry is comparatively small, with the country's less than 400 growers almost exclusively situated in Kent and the West Midlands, it provides an object lesson for other important sectors of agriculture that they would do well to consider as they contemplate their own future.

Like milk, potatoes, and a few other farm commodities, hops were, in the 1930s, provided with a marketing board. And the Hop Marketing Board had even more statutory powers than the rest. It controlled the acreage, regulating supply to demand. It bought all the hops grown in the UK and sold them to the brewers at prices it was able to dictate.

It was able virtually to guarantee substantial profits for growers who operated within a closed shop. Almost inevitably over the years, complacency crept into the management of the organisation. Opportunities to expand the industry by exporting were not taken; other countries, notably Germany and the US, grabbed most of the international trade that was going, developing new technology as they did so. British brewers began buying more of their requirements overseas.

It came as little surprise, therefore, when the European Community's antagonism to UK marketing boards reached one of its many crisis points in the late 1970s, that the British Government agreed to sacrifice the Hop Marketing Board.

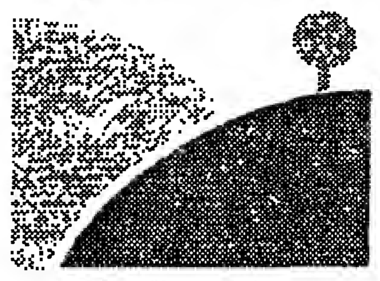
So in 1982 the Hop Marketing Board ceased operations. By way of partial compensation, however, the EC decreed that so long as hop growers continued to market their hops through a co-operative, they would qualify for subsidies based on the acreage grown. It is a policy now being more widely adopted for crops such as linseed and oil seed rape and the MacSharry proposals for CAP reform foreshadow a similar system of support for cereals, milk and a number of other commodities.

In short, policies for hops were ahead of their time. Currently, EC aid to hop growers is between £230 and £250 a hectare, depending on the variety and type – there are two types of hop, one to add aroma to beer and the other to give it a bitter taste.

This EC aid, however, is small beer beside the value of the crop. Growers, in fact, need to gross between £7,000 and £8,000 a year per hectare to show a profit against the high costs of production and harvesting. Quite apart from the labour-intensive variable costs of fertilisers, chemicals, pruning, training, cutting and separating the hop cones from the trash, all of which can add up to £3,000 per hectare, there are also 15-foot poles every few metres and a wire framework on top of them to which the hop plants are trained to grow.

This complicated structure can cost £12,000-£13,000 to construct for every hectare grown. Admittedly, it should last 15 years or more if properly

FARMER'S VIEWPOINT



By David Richardson

erected but not without expensive annual maintenance.

Hops, therefore, are not a crop to be undertaken lightly. Moreover, although labour requirements are now only about one-fifth per hectare of what they were in the days before mechanised picking, it is no accident that most hops are still grown in areas where apples are also produced and where it is traditional to employ large numbers of manual labourers.

Since the board's abolition the industry has suffered a shake-out. Forced to co-operate to qualify for EC aid, growers formed themselves into a handful of organisations. It was not the best of reasons for working together and some have had a difficult time since. The biggest of these is English Hop Products, which was the direct descendant of the board and took over its warehouses and offices at Paddock Wood, in Kent.

It, too, had a chequered early history, experiencing problems in adjusting from the old monopoly structure. Now, however, following changes of both management and board, it appears to have completed the transition to private operation. When I visited Paddock Wood a few days ago I was told that overheads had been halved since the early 1980s and that the number of snouts in the trough had been reduced.

In the old days apparently, the grower sold his hops to a factor; he, in turn, sold them on to the board. The board then used a merchant to sell raw or processed hops to the end-user, the brewer. Today, growers sell direct to the co-operative and it (usually) deals direct with the brewer. Clearly, however, a few outdated practices have survived and need to be rooted out.

English Hop Products has also developed new processes to improve the efficiency of brewing and the attractiveness of the UK product to buyers both here and abroad. In other words, it is behaving as any competitive company should; a sea-change from the old days of the marketing board.

However, the weather has prevented hop growers from benefiting from this new, more efficient marketing structure. For the five years to 1990, yields of UK hops were almost universally bad and profits throughout the period were poor or non-existent.

This year the situation is different. The harvesting gangs that have been working for the last three weeks in hop gardens in Kent and hop yards in the West Midlands (I have no idea why they call them by different names in different parts of the country) have gathered the best crop for a decade.

So good was the yield, in fact, that there was a danger that prices might be depressed. That was until the main warehouse at English Hop Products premises at Paddock Wood suffered a fire about 10 days ago. By that time, about 10 per cent of this year's hop crop had been stored there and it seems likely that either because they have been burned or because they have been contaminated by smoke, they will not be usable for brewing.

Paradoxically, therefore, a potential disaster (there were no casualties) may stabilise hop prices and ensure growers good profits for the first time in six years.

But it is not all good news for hop growers. Like their oasts at this time of year, they are steaming at two substantial increases in the price of beer this year. Beer sales, they point out, are already 5-6 per cent down on last year as a result of over-pricing. They see this as a long-term threat to demand for their product, for which there is no other market.

They are even more angry when they hear brewers attempting to justify such increases on rises in the costs of raw materials. According to Mr David Gardner, the top technical man at English Hop Products, the total cost of raw materials used in making beer, including barley, yeast and hops, currently amounts to less than 2p a pint. So how do brewers defend increases of 16p to 18p a pint this year alone? I, for one, would be interested to know.

WORLD COMMODITIES PRICES

MARKET REPORT

Copper prices closed down on the LME yesterday and the premium for cash metal disappeared. Dealers said the market was less concerned about unrest in Zaire, as short-term disruption would have no impact on the physical sector. Also, if a power-sharing agreement between Zaire's President Mobutu and opposition parties reduced violence, then mine production might be restarted. Aluminium was also down, although the price steadied in the afternoon. Traders said dealer buying and short-covering, possibly related to reports of consumer interest, had given the market a relatively stable appearance after it had been under pressure for most of the morning from a continuation of the widespread selling prompted by the world's aluminium oversupply. Today's LME stocks figures are expected show metal still pouring into warehouses from the Soviet Union and South America which will result in a rise of 10,000 to 20,000 tonnes. In contrast, tin prices rose on news that the RTZ mine in Nova Scotia was closing. However, three-month metal closed below expected resistance at $5,700 a tonne. In Chicago wheat was holding strong gains at midday on short-covering ahead of the USDA grain stocks report.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$18.15-8.25z	-.125
Brent Blend (dated)	$21.40-1.50	-0.10
Brent Blend (Nov)	$21.00-0.10	-.125
W.T.I. (1 pm est)	$22.25-2.30z	-0.15
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$237-240	+1.0
Gas Oil	$202-203	+2.0
Heavy Fuel Oil	$74-75	+1.0
Naphtha	$207-211	+2.0
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$354.55	+5.4
Silver (per troy oz)♣	413.5c	+4.5
Platinum (per troy oz)	352.50	+3.85
Palladium (per troy oz)	$82.35	+0.35
Copper (US Producer)	114.0c	
Lead (US Producer)	37.0c	
Tin (Kuala Lumpur market)	14.87r	+0.02
Tin (New York)	256.5c	
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	103.30p	+0.56*
Sheep (dead weight)†	113.26p	+11.5*
Pigs (live weight)†	78.01p	-2.56*
London daily sugar (raw)	$246.0]	-3.0
London daily sugar (white)	$290.5]	+0.5
Tate and Lyle export price	£249.5	-3.5
Barley (English feed)	£117.0u	
Maize (US No. 3 yellow)	£141.0u	
Wheat (US Dark Northern)	£97.0	
Rubber (Nov)♥	52.00p	-0.25
Rubber (Dec)♥	52.50p	-0.25
Rubber (KL RSS No 1 Oct)	222.0m	
Coconut oil (Philippines)§	$470.0	
Palm Oil (Malaysian)§	$330.0q	
Copra (Philippines)§	$302.5]	+2.5
Soyabeans (US)	£152	-4.5
Cotton "A" index	69.00c	
Wooltops (64s Super)	353p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Oct/Dec t-Sep/Dec u-Oct x-Sep/Oct y-Aug/Sep z-Nov]-Oct/Nov. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX	($ per tonne)		
Raw	Close	Previous	High/Low
Oct	218.00	218.00	218.00 209.00
Dec	191.00	190.00	191.00 191.00
Mar	194.40	196.20	197.00 193.60
May	192.40		194.80 192.40
Aug	200.00	196.80	194.00
Oct	200.00		192.00
White	Close	Previous	High/Low
Dec	281.5	285.0	287.0 282.0
Mar	284.5	287.7	289.0 283.0
May	283.5	286.2	286.3 281.1
Aug	283.5		286.5 281.1
Oct	260.0		267.0 260.1
Dec	259.0		266.0 262.0
Mar	262.0		268.0 265.0

Turnover: Raw 545 (411) lots of 50 tonnes. White 2316 (769)
Paris- White (FFr per tonne): Dec 1622.08,Mar 1646.22.

CRUDE OIL – IPE			$/barrel
	Latest	Previous	High/Low
Nov	21.08	21.17	21.18 21.00
Dec	20.88	21.00	20.98 20.82
Jan	20.71	20.71	20.75 20.64
Feb	20.46	20.50	20.55 20.46
Mar	20.28		20.26
Apr	20.05	20.05	20.05
Jun	19.86		19.86
IPE Index	20.95	20.72	

Turnover 22197 (25213)

GAS OIL – IPE			$/tonne
	Close	Previous	High/Low
Oct	202.75	201.00	203.25 201.00
Nov	205.50	203.50	206.25 203.50
Dec	207.00	205.00	207.25 205.00
Jan	205.50	203.25	205.50 203.25
Feb	200.50	198.50	200.50 198.50
Mar	192.50	189.50	192.50 189.50
Apr	185.50	183.50	185.50 183.00

Turnover 10962 (11529) lots of 100 tonnes

TEA
New season's Assams met improved demand particularly for quality teas and coloury mediums reports the Tea Broker's Association. Plainer kinds remained a weak feature with quite substantial withdrawals. Bright liquoring East Africans sold at firm to dearer rates. Central Africans attracted fair competition and brighter sorts showed little change in rates. The limited selection of ceylon teas realised generally lower levels. The highest price realised this week was 249p for two Assam pekoe fannings. Quotations: quality 200p/kg medium 110p/kg low medium 75p/kg

COCOA – London FOX			£/tonne
	Close	Previous	High/Low
Sep	707	718	707 705
Dec	746	748	746 736
Mar	784	784	784 774
May	805	803	805 795
Jul	827	824	821 817
Sep	845	845	845 838
Dec	869	865	868 861
Mar	893	895	896 986

Turnover: 3614 (4614) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Sep 27 946.34 (951.10) 10 day average for Sep 30 950.44 (950.21)

COFFEE – London FOX			£/tonne
	Close	Previous	High/Low
Sep	487	493	500 480
Nov	487	521	510 480
Jan	508	542	534 500
Mar	529	559	552 526

Turnover: 6211 (1502) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Sep 27 : Comp. daily 64.32 (68.11) 15 day average 67.23 (67.45)

POTATOES – London FOX			£/tonne
	Close	Previous	High/Low
Oct	83.0	81.0	81.0
Apr	127.0	125.4	127.0 125.9

Turnover 266 (251) lots of 20 tonnes.

SOYAMEAL – London FOX			£/tonne
	Close	Previous	High/Low
Oct	133.50	134.00	133.50

Turnover 35 (5) lots of 20 tonnes.

FREIGHT – London FOX			$10/Index point
	Close	Previous	High/Low
Oct	1642	1640	1650 1640
Jan	1715	1707	1720 1711
Apr	1715	1710	1720 1715
Jul	1495	1490	1490
BFI	1524	1524	

Turnover 125 (212)

GRAINS – London FOX			£/tonne
Wheat	Close	Previous	High/Low
Nov	117.30	117.25	117.45 117.00
Jan	120.60	120.65	120.75 120.50
Mar	123.55	123.60	123.45 123.40
May	126.55	126.50	126.50
Jun	128.00	128.00	128.00
Barley	Close	Previous	High/Low
Nov	113.15	113.25	113.10 113.00

Turnover: Wheat 118 (260), Barley 53 (70). Turnover lots of 100 tonnes.

PIGS – London FOX	(Cash Settlement) p/kg		
	Close	Previous	High/Low
Nov	104.0	103.0	104.0
Jan	102.5	102.5	102.0
Apr	106.0	106.0	105.5
May	110.0	106.5	106.5

Turnover27 (80) lots of 3,250 kg

MGMI – London FOX				
	Close	Prev.	High	Low	Vol
Indx	134.85	134.69			
Dec	136.50	136.00	136.50	136.50	70
Sep	137.80	138.00	137.80	137.80	10

LONDON METAL EXCHANGE				(Prices supplied by Amalgamated Metal Trading)		
	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 27,057 lots	
Cash	1155-56	1161-3	1150	1149-51		
3 months	1184-85	1190-2	1192/1177	1179-80	1181-2	119,463 lots
Copper, Grade A (£ per tonne)					Total daily turnover 27,173 lots	
Cash	1333-34	1349-50	1349/1328	1348.5-49.5		
3 months	1338-8.5	1347-48	1348/1332	1345-5.5	1331.5-32	111,432 lots
Lead (£ per tonne)					Total daily turnover 2,252 lots	
Cash	310-11	310.5-1.5	313/311	313-313.5		
3 months	319-9.25	320.5-21.0	320/319	319.5-20	318-9	13,245 lots
Nickel ($ per tonne)					Total daily turnover 3,312 lots	
Cash	7480-90	7480-500	7460/7450	7450-60		
3 months	7520-25	7530-40	7550/7475	7480-90	7525-35	33,763 lots
Tin ($ per tonne)					Total daily turnover 1,526 lots	
Cash	5620-30	5540-45	5630	5633-35		
3 months	5675-80	5605-10	5680/5620	5670-75	5675-80	5,704 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 7,212 lots	
Cash	1014-15	1017-18	1016	1016-6.5		
2 months	1033-34	1037-8	1036/1030	1035.5-6	1029-30	29,845 lots

LME Closing £/$ rate:
SPOT: 1.7525 | 3 months: 1.7333 | 6 months: 1.7182 | 9 months: 1.7020

LONDON BULLION MARKET
(Prices supplied by N.M.Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	354.30-354.80	
Opening	349.50-349.90	
Morning fix	350.50	200.034
Afternoon fix	354.90	202.603
Day's high	354.50-355.00	
Day's low	349.50-349.90	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	5.10	6 months	4.94
2 months	5.09	12 months	4.92
3 months	5.01		

Silver fix	p/fine oz	US cts equiv
Spot	235.90	413.50
3 months	241.80	419.10
6 months	247.50	424.65
12 months	259.25	437.05

GOLD COINS
(Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	355.00-356.00	202.75-203.25
Maple leaf	365.00-366.00	208.25-208.75
New Sovereign	86.50-87.50	49.50-50.00

TRADED OPTIONS

Coffee	Nov	Jan	Nov	Jan
450	38	62	1	5
500	4	29	17	22
550		11	63	54
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
725	45	88	24	30
750	33	73	37	40
775	24	60	73	52

Brent Crude	Nov	Dec	Nov	Dec
2000			4	22
2050	62	81	9	39
2100	30		23	82

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Oct	354.0	349.1	356.1	352.6
Nov	355.6	350.7	0	0
Dec	357.3	352.4	359.5	355.0
Feb	360.2	355.3	361.6	358.5
Apr	363.0	358.0	363.8	362.2
Jun	365.9	3360.9	366.3	366.0
Aug	368.9	363.9	369.8	368.0
Oct	371.9	366.9	0	0
Dec	375.0	370.0	376.4	374.2

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Oct	354.0	349.0	356.0	352.0
Jan	357.5	353.2	361.0	356.0
Apr	361.5	356.8	363.5	361.5
Jul	365.0	360.6	365.0	365.0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Oct	413.0	407.5	0	0
Nov	414.9	409.5	0	0
Dec	417.3	412.0	422.0	416.0
Jan	418.5	414.2	421.0	421.0
Mar	424.0	418.7	428.6	423.5
May	428.4	423.0	431.5	427.5
Jul	432.7	427.2	435.5	435.5
Sep	437.3	431.8	0	0
Dec	444.5	439.0	447.0	445.0
Jan	447.2	441.7	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Oct	107.50	109.35	109.35	107.30
Nov	106.15	107.90	108.20	105.80
Dec	104.80	106.80	106.75	104.30
Jan	103.70	105.40	103.20	103.20
Feb	102.85	104.65	103.60	103.60
Mar	102.45	103.85	103.90	102.20
Apr	101.90	103.15	102.40	102.40
May	101.40	102.55	102.20	101.70
Jun	101.00	102.10	0	0
Jul	100.45	101.55	101.50	101.50

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Nov	22.28	22.32	22.32	22.19
Dec	22.21	22.23	22.34	22.11
Feb	21.79	21.81	21.82	21.74
Mar	21.59	21.61	21.62	21.55
May	21.20	21.24	21.20	21.17
Jun	21.12	21.12	21.12	21.08
Aug	20.85	20.95	0	0

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Oct	6360	6353	6375	6325
Nov	6485	6457	6500	6450
Dec	6605	6584	6620	6570
Mar	6215	6194	6220	6190
Apr	5965	5949	5970	5940
Jun	5685	5679	0	0

COCOA 10 tonnes,$/tonnes				
	Close	Previous	High/Low	
Dec	1220	1210	1224	1197
Mar	1273	1263	1277	1253
May	1305	1293	1307	1288
Jul	1332	1320	1333	1318
Sep	1360	1340	1360	1342
Dec	1400	1383	1400	1400
Mar	1435	1418	0	0
May	1460	1443	0	0
Jul	1486	1463	0	0

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Dec	82.90	85.70	84.75	81.65
Mar	86.40	89.35	87.75	85.15
May	88.55	91.55	89.85	87.40
Jul	92.00	94.00	92.00	89.50
Sep	93.00	96.80	93.50	92.40
Dec	97.90	100.20	96.50	95.50

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Oct	9.82	9.59	9.71	9.50
Mar	9.01	9.17	9.15	8.95
May	8.90	9.06	9.03	8.88
Jul	8.89	9.03	9.00	8.96
Oct	8.81	8.95	8.95	8.81

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Oct	62.60	66.45	62.25	61.60
Dec	64.18	67.10	64.25	64.10
Mar	65.90	67.85	68.15	65.60
May	66.51	66.62	67.00	66.45
Jul	67.35	68.35	67.61	67.25
Oct	65.80	67.15	66.06	66.06

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Nov	123.00	124.10	125.50	123.00
Jan	122.10	122.80	124.50	122.05
Mar	123.00	123.40	124.75	122.50
May	124.00	124.60	0	0
Jul	124.00	124.60	125.20	124.00
Sep	124.00	124.60	124.00	124.00
Nov	124.00	124.60	0	0
Jan	124.00	124.80	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)			
Sep.30	Sep 27	mnth ago	yr ago
1631.0	1645.6	1660.3	1766.1

DOW JONES (Base: Dec. 31 1974 = 100)				
		Sep 28	mnth ago	yr ago
Spot	116.36	117.53	122.25	126.67
Futures	123.46	123.82	117.86	131.21

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Nov	587/0	585/2	593/0	582/4
Jan	598/0	596/2	604/0	593/4
Mar	608/2	606/2	614/2	604/0
May	616/2	613/4	621/4	611/0
Jul	621/0	618/4	626/0	616/0
Aug	620/0	615/0	623/0	617/0
Sep	594/0	593/0	600/0	594/0
Nov	586/4	585/2	591/4	585/0

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Oct	19.91	20.04	20.14	19.90
Dec	20.27	20.39	20.51	20.26
Jan	20.48	20.58	20.71	20.45
Mar	20.77	20.89	21.00	20.75
May	21.05	21.16	21.35	21.05
Jul	21.35	21.53	21.65	21.35
Aug	21.55	21.65	21.80	21.55
Sep	21.75	21.80	21.90	21.75
Oct	21.65	21.80	0	0
Dec	21.90	21.95	22.00	21.90

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Oct	192.8	191.1	1194.2	190.3
Dec	191.1	189.4	192.2	188.4
Jan	189.4	187.3	190.1	186.5
Mar	187.3	185.3	188.0	184.5
May	184.3	182.9	185.2	182.0
Jul	183.2	181.7	184.2	181.2
Aug	182.0	180.5	182.0	182.0
Sep	180.0	179.0	180.0	178.5
Oct	191.5	191.0	191.5	190.0
Dec	192.0	191.7	192.0	192.0

MAIZE 5,000 bu min, cents/56lb bushel				
	Close	Previous	High/Low	
Dec	249/2	246/2	250/2	245/4
Mar	257/2	254/4	258/4	254/0
May	262/4	259/4	263/4	259/0
Jul	265/0	262/2	266/0	262/0
Sep	254/6	252/6	256/4	252/4
Dec	250/4	249/2	251/6	248/6
Mar	257/4	256/0	0	0

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Dec	332/4	331/4	335/2	330/4
Mar	336/2	335/4	339/0	334/0
May	330/0	327/4	332/6	328/6
Jul	316/2	315/2	317/6	314/4
Sep	323/0	322/0	323/4	323/0

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Oct	74.50	75.00	74.97	74.50
Dec	76.77	76.85	76.90	76.40
Feb	74.35	74.47	74.60	74.20
Apr	75.12	75.20	75.30	74.92
Jun	72.50	72.70	72.50	72.35
Aug	70.52	70.62	70.85	70.52
Oct	71.70	71.70	0	0

LIVE HOGS 30,000 lb; cents/lbs				
	Close	Previous	High/Low	
Oct	45.92	47.17	46.35	45.67
Dec	44.72	45.65	45.00	44.20
Feb	43.72	44.50	44.10	43.30
Apr	41.52	42.07	41.75	41.10
Jun	46.20	46.60	46.30	45.95
Jul	46.45	45.70	46.45	46.00
Aug	44.82	45.07	44.90	44.40
Oct	41.35	41.45	41.40	41.25

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Feb	46.50	48.20	46.90	46.25
Mar	46.52	48.07	46.85	46.30
May	47.70	49.40	47.85	47.40
Jul	47.80	49.20	48.00	47.40
Aug	45.95	47.07	46.55	45.95

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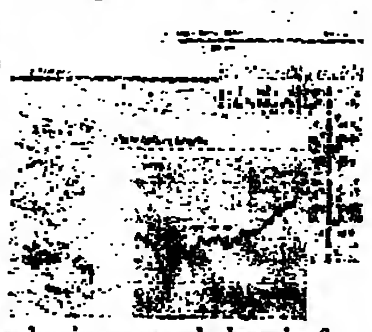

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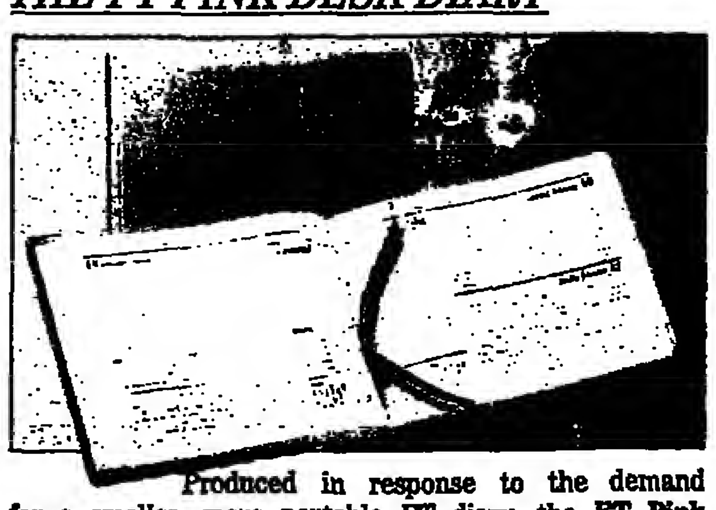

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Fax: 071-799 2268.

How to complete your order.

1. Indicate the quantity and type of diary/organiser you require.
2. Indicate how many items you wish to have gold blocked with your initials and/or surname.

PRODUCT	CODE	QTY	UK (inc VAT) £	QTY	EUROPE £	REST OF THE WORLD				SUB TOTAL £
						QTY	SURFACE £	QTY	AIRMAIL £	
1992 DIARIES										
*Chairman's Set**	*CS*		*136.24*		*122.55*		*118.40*		*128.70*	
Desk Diary, black leather	DL		70.32		64.20		61.20		68.50	
Desk Diary, burgundy *bonded leather	DB		44.47		42.20		39.20		46.50	
Desk Diary, black leathercloth	DC		25.67		25.50		23.00		29.40	
FT Pink Desk Diary	DP		30.14		28.80		26.80		31.70	
Pocket Diary, black leather	*PL*		*13.81*		*11.95*		*11.60*		12.25	
Pocket Diary, burgundy *bonded leather	PB		12.75		11.05		10.90		11.35	
Pocket Diary, black leathercloth	PC		11.52		10.05		9.90		10.35	
FT Pink Pocket Diary	PP		13.34		11.80		11.50		12.25	
Slimline Pocket Diary	SP		11.57		10.10		9.90		10.40	
Wallet Diary	*WD*		*21.91*		*19.10*		*18.80*		*19.60*	
Wallets: Black (to fit PL + PC)	WL		25.32		21.80		21.70		22.15	
Burgundy (to fit PB)	WB		25.32		21.80		21.70		22.15	
Black (to fit PP)	WP		27.91		24.05		23.90		24.40	
PERSONAL ORGANISERS										
Personal Organiser, black leather	*POL*		*48.00*		*43.10*		*41.90*		*44.90*	
Personal Organiser, burgundy leather	POB		48.00		43.10		41.90		44.90	
PERSONALISATION										
Initials only (up to 4 characters)	I		2.47		2.10		2.10		2.10	
Names (up to 20 characters)	IS/N		4.41		3.75		3.75		3.75	
									TOTAL £	

All prices shown are inclusive of postage and packing. Please attach any initials and/or surname details on a separate sheet.

*The Chairman's Set consists of two items, therefore the personalisation charge is double.

*The term "bonded" refers to bonded leather fibre

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BY PHONE. You can pay by credit card by placing your order on our Credit Card Order Line 071-799 2274.

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BY MAIL. Return this order form with your payment to the address given above.

Payment must accompany your order and cheques should be drawn on a UK bank account made payable to "FT Business Information Ltd."

Tick Method of payment Cheque ☐ Money Order ☐

Access ☐ Visa ☐ Amex ☐

Card No. ____________________

(If the billing address differs from the above, please notify us)

Expiry Date: ______

(Please complete as your order may be returned if expiry date is not shown)

CREDIT CARD ORDER LINE
Telephone orders for less than 25 items:
☎ 071-799 2274

Despatch No:

Date Received:

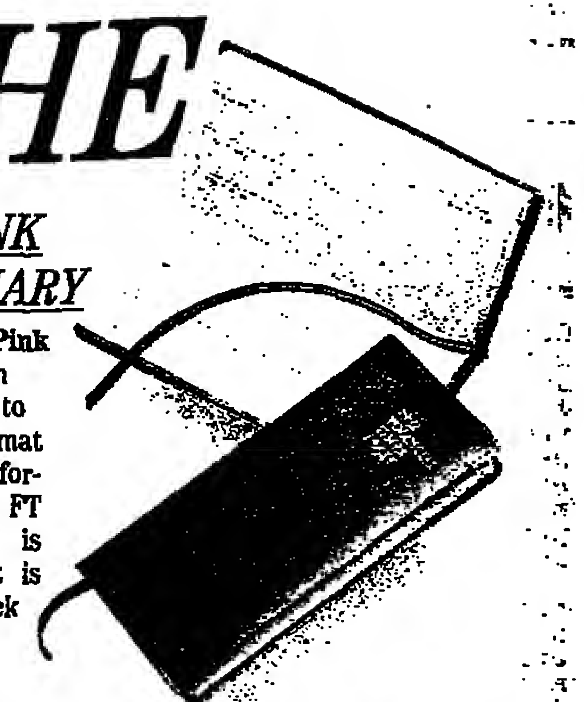
Cardholder's Name (Block Capitals):

Cardholder's Signature:

For further information on business gift orders, please ring 071-799 2002.

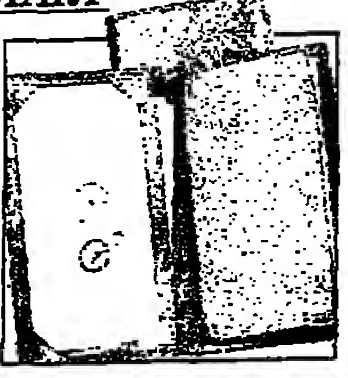
FT Business Information Ltd., Registered Office Number One, Southwark Bridge, London SE1 9HL. Registered No. 980896.

THE FT PINK POCKET DIARY



The **FT Pink Pocket Diary** with its unique week to view landscape format has the same information as the FT Pocket Diary and is hugely popular. It is covered in black *bonded leather.

THE FT WALLET DIARY



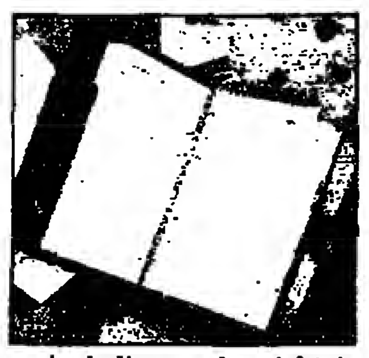
The **FT Wallet Diary** features the FT Pocket Diary bound into a black leather wallet with gilt corners. Its discreet good looks are further enhanced by a black moiré silk lining and a handy notepad. There's more than adequate space for receipts and bank notes of all denominations.

THE IMPROVED FT SLIMLINE POCKET DIARY

The **FT Slimline Pocket Diary** slips easily into your pocket.

It has a fortnight to view format and is bound in black *bonded leather with FT-pink paper and *matching ribbon.* The new overseas and UK information guides, London Underground, city and west end maps, make it ideal for the executive on the move.

THE FT PERSONAL ORGANISER



Beautifully produced with a black or burgundy leather cover, the **FT Personal Organiser** has 25mm gilt rings and ample pocket space for papers, bank notes, and credit and business cards. There are FT-pink card dividers which indicate the five fully comprehensive paper sections, including a fortnight to view Diary, Notes, Expenses, Addresses and Information (maps, UK and overseas business centres guides and other useful facts). Refill packs are available.

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THE FT COLLECTION

LONDON STOCK EXCHANGE

Confident close to the third quarter

By Terry Byland, UK Stock Market Editor

UK STOCKS made a good start to the new equity trading account but once the expiry of the FT-SE September futures contract had been completed yesterday morning, fund managers focused more on the imminent end of the third quarter than on developing new investment strategies.

Share prices moved ahead following an orderly expiry in the futures market and regained the FT-SE 2,600-plus territory with ease, closing 22.7 higher on the day.

Equities made a troubled start, with the prospect of rapid arbitraging between the index futures and underlying stocks unsettling markets also presented with the expected rights issue from Asda; the troubled food supermarket group called for £357m. The Footsie lost more than six points within the first hour to touch 2,592.6.

Account Dealing Dates		
First Dealings:		
Sep 16	Sep 30	Oct 14
Option Declarations:		
Sep 26	Oct 10	Oct 24
Last Dealings:		
Sep 27	Oct 11	Oct 25
Account Day:		
Oct 7	Oct 21	Nov 4

*New-time dealings may take place from 8.30 am two business days earlier.

However, the futures expiry, now under the watchful eyes of market surveillance officers, proceeded calmly and share prices then turned higher. Progress was steady and the Footsie was 17.4 up when London was checked by an initial setback on Wall Street.

When the US market recovered its nerve, UK stocks moved ahead again sharply, and the FT-SE Index closed at 2,621.7. Seaq volume slipped to 423.6m shares from 568.6m on Friday.

While there were several active features in the equity market, traders took a cautious view of the overall advance. With the institutions only interested in window-dressing portfolios for the benefit of trustee scrutiny of the three month period which closed last night, stock was generally short in the market.

The rights call from Asda fell on a market now less secure for rights issues, which have already reached a record £9bn total so far this year. Shares in British Aerospace fell again yesterday, closing only around 7 per cent above the price set for the £432m rights issue which helped to upset the stock badly a fortnight ago.

There were a number of firm features in the market, although traders discounted hints that another large takeover bid was about to break. The gain in the Footsie Index accommodated substantial gains in ICI, Glaxo, Rothmans International and Bass, as well as the falls in Asda and British Aerospace.

Political uncertainties had an increasing effect on sentiment as the annual conference of the opposition Labour party opened, to be followed shortly by the conference of the governing Conservative party. Last weekend brought new opinion poll readings to foster the debate over the timing for the next general election in the UK. The stock market hopes for another cut in UK base rates, sooner rather than later, whatever date may be chosen for the general election.

Wall Street's difficulty in moving above Dow 3,000 yesterday could set the trend in London for a week charged with economic data from the US, but with less statistical excitement on this side of the Atlantic.

Analysts remained optimistic, if somewhat cautious, on the near term outlook for UK equities. Mr Peter Thorne of Nikko Securities expects the market to "stay within the Footsie 2,550 – 2,620 range" over the next few weeks, beneath the shadow of political and economic uncertainties and a "poor outlook for Wall Street."

FINANCIAL TIMES STOCK INDICES

	Sept 30	Sept 27	Sept 26	Sept 25	Sept 24	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	87.44	87.28	87.32	87.36	87.52	78.25	87.94 (18/9)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.95	95.84	97.00	97.06	97.13	86.41	97.13 (24/9)	90.59 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share●	2021.6	2018.9	2025.2	2028.9	2009.4	1573.0	2108.3 (2/9)	1606.3 (16/1)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	155.6	158.1	163.1	163.7	161.3	189.9	222.8 (11/7)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2621.7	2599.0	2595.6	2597.8	2575.6	2030.8	2679.6 (2/9)	2054.8 (16/1)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1171.82	1169.39	1169.39	1171.68	1168.56	-	1198.60 (3/9)	938.82 (16/1)	1198.60 (3/9/91)	938.62 (16/1/91)
●Ord. Div. Yield	4.64	4.66	4.69	4.65	4.71	6.07				
●Earning Yld %(full)	7.44	7.50	7.52	7.50	7.54	12.71				
●P/E Ratio(Net)(*)	16.76	16.63	16.68	16.63	16.53	9.53				
SEAQ Bargains 4.45pm	26,640	34,672	29,426	28,585	27,314	18,333				
Equity Turnover(£m)†	-	1008.94	1118.67	1110.02	813.84	581.10				
Equity Bargains†	-	34,923	30,411	28,253	26,910	17,167				
Shares Traded (ml)†	-	458.3	452.8	512.6	422.4	284.1				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. [illegible]

Ordinary Share Index, Hourly changes — Day's High 2021.9 — Day's Low 2000.0

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2014.4	2002.7	2012.1	2011.8	2018.8	2017.5	2016.8	2018.8	2020.9

FT-SE 100, Hourly changes — Day's High 2621.7 — Day's Low 2592.6

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2598.0	2592.5	2605.2	[illegible]	2610.7	2610.4	2609.8	2615.3	[illegible]

FT-SE Eurotrack 200, Hourly changes — Day's High 1171.82 — Day's Low 1168.81

Open	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1170.29	1169.52	1170.89	1170.18	1169.99	1170.89	1169.39

GILT EDGED ACTIVITY

Indices*	Sept 27	Sept 26
Gilt Edged Bargains	84.4	90.4
5-Day average	84.8	82.8

*SE Activity 1974. †Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

New low touched by Asda

THERE WAS no great surprise around stock market trading rooms at the size of the £357m rights issue from Asda, the troubled food retailing group. There were, however, gasps at the size of the discount offered by the rights. Asda launched the new shares at 35p in the ratio of nine-for-ten.

The market's immediate reaction was to mark Asda shares sharply lower, down to an all-time low of 43p, before they steadied to close a net 9½ down at 45½p. Turnover in the stock reached 30m shares.

Stories of a big rights offer from Asda have been rife in the market for two weeks and have been interspersed by suggestions that a stakebuilder has been dipping into the market at intervals over the same time span.

ICI strong

One of the better performances of the day among FT-SE companies was put in by ICI as traders responded to a favourable article in the US business press on the company's cancer drug tamoxifen (trade name Nolvadex). The shares closed at the day's best of 1328p, up 26.

The article highlighted research that shows the drug might prevent cancer, as well as treat it, and even ward off heart disease. Tamoxifen is a treatment for breast cancer, but the article suggests that there is scope for wider use. Analysts cautioned yesterday that it could be several years before new applications of tamoxifen were approved. In addition, patents on the drug are beginning to expire so benefits to ICI could be limited.

Courtaulds higher

Confidence apparently emanating from within Courtaulds prompted several analysts to raise their forecasts for the chemical company and ensure that it was one of the better Footsie performers yesterday. The stock added 11½ at [illegible]p. Mr Philip Morrish of Smith New Court upgraded his estimate for Courtaulds' 1991 profits by £10m to £[illegible]m on the basis that raw material prices were being held down and restructuring was paying dividends. Mr Chris Burbridge of UBS Phillips & Drew, who also raised his expectations, said observers had been stimulated by the bullish tone in Courtaulds' latest in-house magazine. "It will be one of the few chemical companies to come through the recession without denting their profits," he added.

Many of the water shares were chased sharply higher towards the close as investors picked up hints that the water companies will have put in realistic requests for price increases.

The big gainers were Anglian, 9 higher at 385p, North West, 7 firmer at 374p, and South West, 13 ahead at 364p. Yorkshire added 6 at 404p and Wessex 5 at 422p.

British Aerospace opened sharply lower. At their worst the shares were down 20 at 393, not far shy of the 380p price of the rights issue. Bargain hunters appeared later in the session and the stock rallied to close up 2 on the day at 4[illegible]p ex-dividend on turnover of [illegible]m as talk of a need for further boardroom resignations continued.

Rolls-Royce firmed 2½ to 150p with 4m shares traded, stimulated by belief that the company was about to secure an engine order worth around $500m from American Airlines.

A big buyer was seen in NFC, which put on 3 to 220p on turnover of 2.7m. Positive weekend press reports ahead of today's New York listing helped Tiphook rise 17 to 584p.

Fuel and distribution group Powell Duffryn gained 13 to 316p after announcing that talks about a joint venture over its US chemicals storage terminals had ended. Norex, the shipping and insurance group, climbed 8 to 163p on expectations of good final results being reported on Thursday.

First National Finance was one of the market's biggest casualties, the shares dropping 19 to 85p after the company's broker, Kleinwort Benson, was said to have chopped its profits and dividend forecasts for the next two years.

Bank of Scotland appreciated 6 to 124p ahead of tomorrow's interim figures, which are expected to show profits down from £105.5m to around the £60m mark.

Sunday's lifting of the 5 per cent shareholding restriction failed to trigger any signs of substantial stakebuilding in TSB, which firmed 3 to 148p.

More switching between the two oil majors boosted turnover in BP and Shell. The latter rose 5 to 508p on 3.5m, while BP settled 1¼ up at 338p on 5.2m. British Gas added 3 at 282p amid suspicions of switching out of BP and into Gas.

Exploration Company of Louisiana fell 11 to 45p after the company's after-hours' announcement last Friday.

Steetley's interim figures – showing profits down some 73 per cent – caused widespread dismay around the market and produced a steep decline in the shares, which ended 39 weaker at 290p. Analysts are now thought to be looking for full-year profits of around £33m to £37m, with the 1992 figure put at £36m to £40m.

Raine Industries retreated 7 to 135p amid worries that a cash-call could be in the offing.

Kingfisher climbed 17 to 554p xd as the market took the view that it was not going to bid for Sears, 2 off at 90p.

W.H. Smith's offer to buy the 67.2 per cent of bookseller Waterstone that it does not already own left the former's shares 2 easier at 435p. Smith is offering one new ordinary share and 37p cash for every Waterstone share.

Rival bookseller Pentos firmed 2½ to 168p. The company has received a great deal of publicity over the last few days as it attempts to break the net price agreement which prevents discounting of new books in the UK.

Book publisher Headline improved 6 to 135p after revealing a 28 per cent rise in interim profits to £378,000.

Takeover speculation re-emerged in the food manufacturing area of the market and focused once again on old favourites Cadbury Schweppes and United Biscuits. Philip Morris, the US food giant, has long been rumoured to be looking at a big European acquisition.

In spite of what was seen as unremarkable turnover in both companies' shares, the stock prices made rapid improvement, with American and European takeover hopes driving them higher. Cadbury was finally 8 to the good at 423p on 1.6m and UB gained 7 at 404p.

Unilever rose strongly, reflecting hints that the company is visiting stockbrokers and institutions this week. The stock ended 8 better at 783p and turnover reached a much higher than usual 2.7m.

One of the best performing stocks of the year, Manchester-based Airtours, leapt again as the company said profits for its fiscal year ended yesterday "are likely to be well ahead of current market expectations".

Mr Darren Mercer of Manchester stockbroker Henry Cooke Lumsden increased his profits forecast for the year just ended from £18.5m to £25m and 90p a share of earnings. The shares ended at 775p, a rise of 93. Another holiday tour operator, Owners Abroad, rose 4 in sympathy to 110p.

A spate of cautious press comment on Forte's interim results, due on Thursday, depressed the shares by 3 to 68p.

A positive note from Flemings Research helped BET to pick up 8 to 227p. The securities house believes the company's improved cash flow will dispel rights issue rumours as well as ensuring that the company maintains its dividend.

Siebe forged ahead 19 to 544p as a recommendation from securities house Charterhouse Tilney landed on investors' desks. Charterhouse argues that the shares are still undervalued in spite of their strong performance over the past year.

Specialist engineer Charles Baynes saw unusually heavy turnover of 4m as one securities house traded two blocks of 2m shares at 67p and 67¾p.

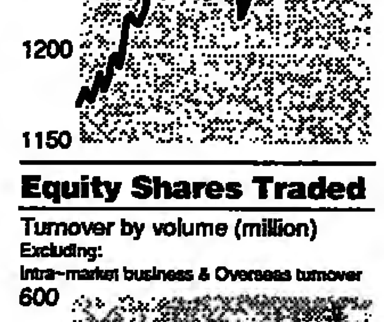
USM-quoted ML Laboratories benefited from a smaller companies exhibition held by securities house Hoare Govett last week and advanced 23 to 530p.

Hammerson bucked the trend of an otherwise firm property sector. The shares slipped 9 to 622p as Smith New Court reduced its forecast for the company's next asset valuation.

MARKET REPORTERS:
Daniel Green,
Peter John, Joel Kibazo,
Steve Thompson.

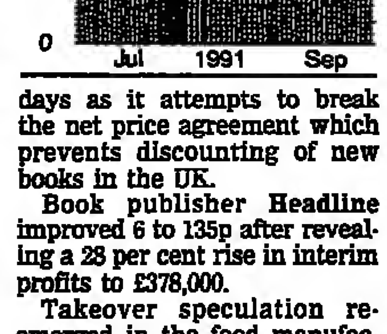
■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 29.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (196).
BRITISH FUNDS (8) Fd. 6pc 1993, Tr. 9pc '92-96, Cv. 8½pc 2004 A, Tr. 2pc IL 1994, Tr. 2pc IL 1996, Tr. 2½pc IL 2001, Tr. 2pc IL 2006, Tr. 2½pc IL 2009, BUILDINGS (2) Donelon Tyson, Gleeson (MJ), CHEMICALS (1) Allied Colloids, STORES (10) Alexon, Cantors A, Cramphorn, Gabicci, Hogg Robinson, Pentos, Ritz Design, Shaeil, Sherwood Group, Wyevale Garden Centres, ELECTRICALS (7) Brick, Cambridge, Farnell, Harland Simon, Macro 4, Real Time Control, [illegible] ... Johnston Press, Pearson, Portsmouth & Sunderland, Quarto, PAPERS (3) Abbott Mead Vickers, CIA, Stat-Plus, SHOES (1) Pittard Garnar, TOBACCOS (1) Rothmans, TRANSPORT (4) Interlink Express, NFC, Norex, Tiphook, TRUSTS (14) Aberforth Split Level Cap., Do. Units, Baillie Gifford Japan, Dunedin Worldwide, Investment Co., Investment Tst. of Guernsey, M & G Cap., Mercury Asset Management, New Frontiers 6½pc 2010, Olim Zero Prf., TR [illegible]

NEW LOWS (26). [illegible]

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

NEW-STYLE expiry in the futures market passed without a hitch yesterday in spite of concern that it would be affected by a large open position in the September Footsie contract, writes Peter John.

There had been fears that the size of the open position could prompt a situation similar to that in June last year which resulted in allegations of market manipulation.

At the start of trading yesterday there were around 10,000 September contracts open, down on June 1991's 15,000 but still high. However, expiry time was extended and, although the Stock Exchange refused to comment, traders said market supervisory officers were in attendance in a number of dealing rooms.

September ended at 2,608. At the official close December was 2,674, a premium to cash of 57.

On the LTOM, turnover of almost 47,000 was lifted dramatically by the largest stock option trade this year. Shepards dealt 20,000 contracts in Scottish Power in the form of a butterfly call spread. The house bought 5,000 December 110 calls, sold the December 120 series 10,000 times and bought 5,000 December 130s. The trade believes the underlying shares will be worth around 120p in December.

LONDON SHARE SERVICE

BRITISH FUNDS

1991 High	1991 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Five to Fifteen Years						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS—Contd

1991 High	1991 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Over Fifteen Years						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Undated						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Index-Linked						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INT. BANK AND O'SEAS

1991 High	1991 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CORPORATION LOANS

1991 High	1991 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COMMONWEALTH & AFRICAN LOANS

1991 High	1991 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LOANS

Building Societies

1991 High	1991 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Public Board and Ind.

1991 High	1991 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FOREIGN BONDS & RAILS

1991 High	1991 Low	Stock	Price £	+ or −	Yield Gross	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on next page

APPOINTMENTS

House of Fraser finance director

■ Mr James Walsh (pictured) will become group finance director of HOUSE OF FRASER with effect from October 15.

He has been serving with Carrier Airconditioning Corporation, a subsidiary of US-based United Technologies, where he was vice-president, finance, for European and transcontinental operations for the past six years.

■ At QUIKS GROUP, Mr Alec Murray is taking on the position of managing director from today. Mr Norman Quick, who has been executive chairman for the past few months, is now returning to his former role as non-executive chairman.

Mr Murray has been managing director of Ford Credit since 1986. He has spent nearly 30 years at Ford in a broad range of financial and management roles.

■ GEC-MARCONI said Sir Robert Easton is to fill the post of chairman and chief executive of GEC Naval Systems, a company that has been set up to bring together all naval activities of the GEC group, including shipbuilding, combat systems and other related naval activities.

The new company will provide the focal point for all communication between the UK Ministry of Defence and overseas customers.

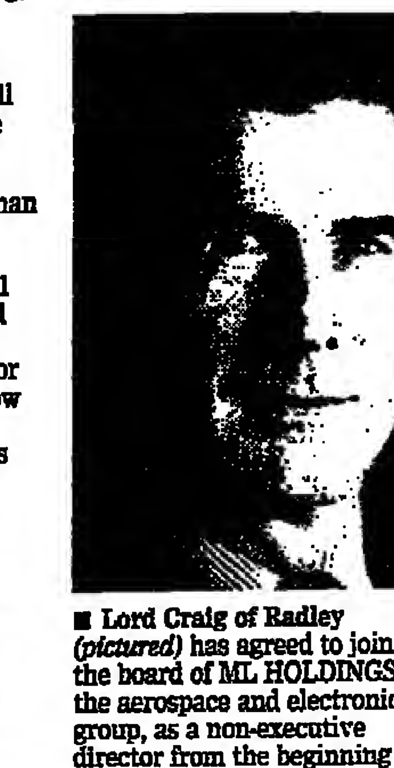
Sir Robert remains chairman of Yarrow Shipbuilders and GEC Scotland. The new company's headquarters will be at the Scotstoun shipyard in Glasgow.

The new managing director and chief executive of Yarrow Shipbuilders will be Mr Murray Easton, currently its operations director.

■ PROPERTY SECURITY INVESTMENT TRUST has named Mr Louis Tucker as deputy chairman. He is one of the four founders of the company, and has been one of its directors for the past thirty years.

■ DE LA RUE has elected as a director Sir Patrick Wright, who was until June this year permanent under-secretary of state at the Foreign and Commonwealth Office and head of the diplomatic service. Sir Patrick is also a director of Barclays Bank and BP, and an advisory director of Unilever.

■ Mr John Harrison is joining LAZARD INVESTORS, the investment management subsidiary of Lazard Brothers & Co, as a director from today. He previously worked for Phillips & Drew Fund Management as assistant director, charities and pension funds.



■ Lord Craig of Radley (pictured) has agreed to join the board of ML HOLDINGS, the aerospace and electronics group, as a non-executive director from the beginning of next year. He will succeed Sir Peter Horsley as chairman of ML when Sir Peter retires next March 31.

Lord Craig was Chief of the Air Staff and then Chief of the Defence Staff until April this year. As the government's principal military adviser, he was a member of the war cabinet and responsible for the overall direction of the Services' involvement in the Gulf conflict.

■ DOWTY GROUP, the international advanced technology group of companies, has appointed Mr Andrew Large as a non-executive board director.

Mr Large, who is chairman of Large Smith & Walter, has spent the majority of his career in banking, until recently with Swiss Bank Corporation as an executive board member.

A former chairman of The Securities Association (now the Securities & Futures Authority), a member of the Council of the International Stock Exchange in London and of the Panel on Takeovers and Mergers, he now holds several appointments in the City.

■ Mr David Huntington and Mr Stephen Calcroft become board members of BRADSTOCK GROUP with effect from today.

Mr Huntington joined the group in 1963 and is currently managing director of subsidiary company Bradstock Blunt & Crawley. Mr Calcroft has been with the group since 1976, latterly as managing director of Bradstock Blunt & Thompson.

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ELANDSRAND GOLD MINING COMPANY LIMITED
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FREE STATE CONSOLIDATED GOLD MINES LIMITED
Registration No. 05/26210/06
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Registration No. 01/01675/06
VAAL REEFS EXPLORATION AND MINING COMPANY LIMITED
Registration No. 05/17354/06
WESTERN DEEP LEVELS LIMITED
Registration No. 57 02349/06
(All of which are incorporated in the Republic of South Africa)

GENERAL MEETINGS OF MEMBERS – CLOSING OF REGISTERS

NOTICE IS HEREBY GIVEN that, to determine which members are entitled to attend and vote at the general meetings of members to be held on Tuesday, October 29 1991, at 44 Main Street, Johannesburg, the transfer registers and registers of members will be closed from Wednesday, October 23 to Tuesday, October 29 1991, both days inclusive.

By order of the boards
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
Secretaries
per: C. R. BULL
Senior Divisional Secretary

UK Transfer Secretaries
Barclays Registrars Limited
Bourne House
34 Beckenham Road
Beckenham
Kent BR3 4TU

London office
40 Holborn Viaduct
London EC1P 1AJ

Johannesburg
October 1 1991

THE BUSINESS SECTION
Appears Every Tuesday & Saturday. Please contact on 071-873 4780 or Melanie Miles on 071-873 3308. or write to them at The Financial Times, One Southwark Bridge, London SE1 9HL.

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AMERICANS

1991 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
33¾	20⅞	Abbott Laboratories	38⅝	–11	$1.00	–	1.9
385p	252p	Allegheny & W 1c	253p	–	30c	–	7.0
10⅛	667p	Amdahl 5c	764p	–9	10c	–	0.8
42¾	25¾	Amer. Cyanamid $5	37⅝	–½	$1.50	–	2.4
17⅞	9⅛	Amer. Express 60c	14⅞	–⅛	$1.00	–	4.0
24⅝	15¾	American T. & T. $1	21⅝	–⅛	$1.32	–	3.6
38⅞	32⅞	Ameritech $1	35⅛	–⅛	$3.40	–	5.7
26	12⅞	BankAmerica $1⅜	23⅝	–⅛	$1.20	–	3.1
35⅝	20⅞	Bankers N Y. $1	33⅞	–⅛	$1.52	–	8.5
30½	24⅛	Bell Atlantic $1	25⅞	–⅛	$2.52	–	5.8
31⅛	25	BellSouth Corp.	28⅛	–⅛	$2.76	–	5.8
11⅛	6⅞	Bethlehem Steel $8	9⅞	–⅛	40c	–	2.5
1837p	1046p	Bowater Inc	1356p	–38	$1.20	–	5.2
54⅞	37⅞	CPC Intnl. 25c	50⅞	–⅛	$2.00	–	2.3
930p	420p	California Engy	859p	–	–	–	–
50	28⅛	Campbell Soup 15c	43⅛	–1⅛	$1.16	–	1.6
12⅝	5⅞	Chase Manhattan $12½	10⅞	–⅛	$1.20	–	6.9
9⅞	5⅛	Chrysler $6¼	5⅞	–⅛	60c	–	6.2
10⅛	5⅝	Citicorp $1	8⅛	–	$1.00	–	7.3
25	21⅞	Colgate-Palmolive $1	24⅞	–⅛	$1.06	–	2.6
928p	436p	Cont'l Bank Corp $4	626p	–29	60c	–	5.6
21⅛	13⅞	Dana Corp. $1	17⅞	–⅛	$1.60	–	5.5
1257p	203p	Data General	1220p	–37	–	–	–
22⅛	12⅞	Dial Crop. $1.5	21⅞	–⅛	$1.40	–	3.9
29⅛	20⅛	Dun & Bradstreet $1	26⅛	–⅛	$2.16	–	4.8
40	24⅛	Eaton Corpn. 50c	35⅞	–½	$2.20	–	–
8½	5½	Echlin Inc	6⅞	–⅛	70c	–	6.0
20⅛	14⅞	FPL Group 1c	18⅛	–⅛	$2.40	–	7.5
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

[illegible]

For Varity see Americans

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ENGINEERING

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

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LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS—Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie as a guide only.

FINANCE, LAND, ETC

[illegible]

FINANCE, LAND, ETC—Contd

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

MINES—Contd

Australians

[illegible]

Tins

[illegible]

Miscellaneous

1991 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's
[illegible]							
£6¼	£3⅝	Hemlo Gold Mines	£5	.....	Q20c	-	2.2
£11¾	£7⅝	Homestake Mining $1	£8⅞	-⅛	Q20c	-	1.4
61	30	Iverola West	54	.....	-	-	-
46	35	Kells Mins. Ir5p	35	.....	-	-	-
25	9	Kenmare	10½	.....	-	-	-
18	15	Navan Resources	16	.....	-	-	-
99	52	Northgate Expl. C$1	64	.....	-	-	-
16	5	North West Exp	5	.....	-	-	-
188	82	Oryx Gold Hldgs	127	.....	-	-	-
23	10	Ovoca Gold IR 2p	10	-1	-	-	-
44	17	Pancon Mining 20p	18	.....	-	-	-
605	404	RTZ 10p	578	+13	19.5	1.7	4.5
11	3¼	Thorco Res. Inc.	10¼	.....	-	-	-
10	3	Vizcaya Hldgs 5p	3	.....	-	-	-
152	90	Wstrn & Pac Res	92	.....	-	-	-
133	118	Young Group 10p	128	.....	5.2	1.8	5.8

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares. γ Gamma refers to other traded instruments.

Highs and lows are based on intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- ° Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- † Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ‡ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock		Price	+ or -
Craig & Rose £1	β	640	......
Finlay Pkg. 5p	β	21	......
Holt (Jos) 25p	β	1985xd	+1
Helton Hldgs	γ	38	......
IRG		125	-5
United Drug		175	......

IRISH

Stock	Price	+ or -
Cap. 8½% Ln. 2010	£94	+½
9pc Cap Ln. 1996	£98⅝	...
Fin. 13% 97/02	£114¼	+¼
Arnotts	200	

TRADITIONAL OPTIONS

3-month call rates

Industrials p

Allied-Lyons	46
Amstrad	7
Astec (BSR)	6
BAT	68
BOC Grp	31
BTR	33
Barclays	38
Blue Circle	24
Boots	30
Bowaters	53
Brit Aerospace	56
British Steel	12
Brit. Telecom	29
Cadburys	33
Charter Cons	45
Comm Union	44
Courtaulds	32
Eurotunnel	58
FKI	6
FNFC	28
Gen Accident	48
GEC	17
Glaxo	88
Grand Met	62
Guardian	19
GKN	31
Hanson	19
Hawker Sidd	39
ICI	80
Ladbroke	22
Legal & Gen	36
Lex Service	20
Lloyds Bank	30
Lucas Inds	13
Marks & Spencer	21
Midland Bk	18
Nat West Bk	27
P & O Dfd	51
Racal Elect	18
RHM	28
Rank Org Ord	63
Ratners	17
Reed Intnl	36
Sears	8½
SmKl. Beecham A	58
TI	45
TSB	12
Tesco	21
Thorn EMI	64
Trust Houses	23
T&N	15
Unilever	60
Vickers	19
Wellcome	40

Property

Brit Land	30
Control Secs	3
Land Securities	45
MEPC	48
Mountleigh	8½

Oils

Aviva Petlm	3
Brit Petroleum	28
Burmah Castrol	49
Conroy Petlm	10
Gaelic Res	1
Premier	6
Shell	41
Tuskar Res	2
Ultramar	30

Mines

Lonrho	21
RTZ	48

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AUTHORISED UNIT TRUSTS

MGM Unit Managers Ltd (1000)F
MGM House, Heene Rd, Worthing
Dealing: 0277 261010. Enq: 0903 204631

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income	5	267.2	270.1	287.3	+1.1	6.00
(Accum Units)	5	420.2	424.8	451.9	+1.7	6.00
UK Growth	5	312.4	316.5	336.6	+0.8	4.10
(Accum Units)	5	369.7	374.5	398.4	+0.9	4.10
Int Equity Gth ♦	5	50.45	50.70	53.93	-0.27	1.30
Intl Bond	5	52.56	52.56	55.21	-0.15	6.75
Special Sits Gwth	5	17.11	17.86xd	19.00	-0.08	3.50
North American Gwth	5	68.03	68.35xd	72.71	-1.19	1.09
European Growth ♦	6	49.39	49.66	52.83	+0.27	1.39

MW Investment Managers Ltd (0659)F
46 Court St, Haddington, E. Lothian 062 082 5867

MW Joint Investors	0	1068.1	1068.1	1096.5	..	4.31

Maldon Unit Trust Managers Ltd (1400)F
15 St Botolph St, London EC3A 7EE 071 226 6066

Maldon General	0	120.9	120.9	124.0	....	4.69

Manulife Management Ltd (1200)H
St George's Way, Stevenage Dealings 071-256 5858

Growth Units	5¼	136.7	137.3xd	146.1	...	3.81
Gilt & Fxd Int	5	150.9	150.9xd	158.7	...	7.98
Intl Growth	5¼	148.2	148.2	157.7	...	0.45
North American ♥	5¼	98.16	98.70	105.0	..	0.31
Far East	5¼	117.7	117.7	125.2	..	0.51
UK Smaller Cos	5¼	108.9	108.9	115.9	.	2.74
European	5¼	53.04	53.04	56.52	..	1.16
Japanese Growth	5¼	37.88	37.88	40.57	..	0.00
Managed P'folio	5¼	49.98	50.26	53.47	...	1.55
High Income	5¼	150.8	152.6xd	162.3	...	5.76
High Yielding Gt	5¼	61.64	61.64	64.87	..	9.61
Cash		51.98	51.98	51.98	.....	9.01

Morgan Grenfell Unit Tst Mgrs Ltd (1000)H
20 Finsbury Circus, London EC2M 1UT
Dealers: 071-826 0826 Enquiries: 071-826 0125

American Gwth	5¼	166.0	166.0	177.3	-2.4	0.81
European Gth Inc	5¼	200.9	200.9	214.3	+0.2	0.00
European Gth Acc	5¼	200.9	200.9	214.3	+0.2	0.00
Intl Gwth	5¼	143.1	143.1	152.7	-2.6	0.00
UK Equity Inc	5¼	121.5	121.5	130.5	+0.7	6.18
UK Equity Acc	5¼	136.8	136.8	147.0	+0.8	6.18
UK Ind Tracker Inc	5	125.3	125.3xd	133.7	+0.5	3.67
UK Ind Tracker Acc	5	136.5	136.5xd	145.4	+0.6	3.67
US Eq Ind Tracker Inc	5	139.5	139.5xd	149.7	-2.3	3.01
US Eq Ind Tracker Acc	5	144.9	144.9xd	155.5	-2.3	3.01
Japan Tracker	5	62.20	62.20	65.96	-0.22	0.00
Asian Trader	5¼	79.80	79.80	85.80	-1.02	1.82
Managed Inc	5¼	101.6	101.6	109.3	-0.3	1.92
Managed Acc	5¼	103.2	103.2	111.1	-0.3	1.92
Cash Inc	0	100.46	100.46xd	100.46	+0.06	10.91
Cash Acc	0	111.02	111.02xd	111.02	+0.07	10.91
Europe	5¼	104.7	104.7xd	112.0	-0.1	0.00

For Geoffrey Morley see Commercial Union

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH. Tel: 071 – 379 – 0444.

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	Bid Price	Offer Price	+ or -	Yield Gross

Allied Dunbar Assurance Plc

Century Life Plc

Eagle Star Life Assurance Co Ltd

Guardian Royal Exchange

Legal & General - Contd.

Manulife Group - Contd.

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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N & P Life Assurance Ltd
6–7 Bedford Row, London, WC1R 4UJ 071-430 2348

	Bid Price	Offer Price	+ or –	Yield Gross
Life Managed Fd	109.0	114.7	+0.1	–
Pension Managed Fd	108.7	114.5	+0.5	–
Life Deposit Fd	109.7	115.5	+0.1	–
Pension Deposit Fd	115.9	122.0	+0.1	–

For National Fin see Target Life

National Mutual Life
The Priory, Priory Pl, Hitchin, SG5 2DW 0462 422422
Harvester Pension Funds

	Bid Price	Offer Price	+ or –	Yield Gross
Managed	167.5	176.4	–	–
UK Equity	179.6	189.1	–	–
Overseas Equity	132.2	139.2	–	–
Fixed Interest	152.0	160.0	–	–
Property	136.4	143.6	–	–
Index Linked	150.8	158.8	–	–
Deposit	161.6	170.2	–	–
With Profits (8)	132.3	139.3	–	–

National Provident Institution
48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	+ or –	Yield Gross
Managed	360.4	379.4	+0.3	–
UK Equity	460.4	484.7	+2.7	–
Overseas Eq	344.4	362.6	–2.8	–
Americas	284.3	299.3	–4.2	–
Far East	370.6	390.2	–2.3	–
Property	194.9	205.2	+0.3	–
Fixed Int	269.0	283.2	–	–
Indexed Gilt	160.8	169.3	+0.3	–
Deposit	186.0	195.8	+0.2	–
With Profit	103.4	108.8	+0.1	–
Pension Fund (Accum Units)				
Managed	518.0	545.3	+1.1	–
UK Equity	621.4	654.2	+4.3	–
Overseas Eq	577.4	607.8	–3.1	–
Americas	361.0	380.1	–4.8	–
Far East	605.8	637.7	–4.1	–
Property	247.9	261.0	+0.4	–
Fixed Int	336.0	353.7	+0.6	–

Providence Capitol Life Assc. Co Ltd
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888

	Bid Price	Offer Price	+ or –	Yield Gross
UK Equity Acc	232.6	245.4	–0.3	–
UK Fixed Int Acc	186.0	196.3	+0.8	–
Intl Equities Acc	174.4	184.0	+2.2	–
UK Managed Acc	177.2	186.9	..	–
Property Acc	226.6	239.1	+0.1	–
Money Acc	131.7	139.0	....	–
Special Market Acc	147.6	155.8	–0.8	–
Japan Equity Acc	101.9	107.5	–0.6	–
North American Acc	102.4	108.1	–2.0	–
Pacific Acc	92.1	97.2	–0.9	–
Technology Acc	124.2	131.1	–0.1	–
Nat Resources Acc	51.9	54.8	–1.0	–
European Acc	101.4	107.0	–0.2	–
Residential Prop Acc	96.4	101.7	.....	–
Swiss Equities Acc	33.4	35.3	.....	–
Hong Kong Acc	66.4	70.1	–0.4	–
UK High Inc Eq Acc	76.3	80.5	–0.2	–
Int Fixed Interest Acc	59.6	62.9	–0.1	–
Int Managed Acc	56.5	59.5	+0.3	–
HIP Managed Acc	118.2	124.6	–0.1	–
HIP Managed II Acc	103.1	108.7	....	–
HIP Managed III Acc	110.1	116.1	+0.2	–
Total Investment Bond				
UK Equity Initial		257.9	–0.2	–
UK Fixed Int Initial		126.5	+0.5	–
Intl Equities Initial		117.7	+1.4	–
UK Managed Initial		120.5	–0.1	–
Property Initial		155.2	+0.1	–
Money Initial		90.1	+0.1	–
Special Market Initial		114.5	–0.6	–
Japan Equity Initial		79.0	–0.6	–
North American Initial		79.5	–1.4	–
Pacific Initial		71.4	–0.7	–
Technology Initial		96.3	–0.1	–
Nat Resources Initial		40.2	–0.8	–
European Initial		90.8	–0.2	–
Residential Prop Init		92.0	...	–
Swiss Equities Initial		31.9	.....	–
Hong Kong Initial		63.4	–0.4	–
UK High Inc Eq Init		72.8	–0.1	–
Int Fixed Interest Init		57.6	–0.1	–
Int Managed Init		54.8	+0.4	–
HIP Managed Init		114.8	----	–
HIP Managed II Initial		101.4		–

[illegible]

OFFSHORE INSURANCES

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

[illegible]

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 48p per minute peak and 36p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

	Bid Price	Offer Price	+ or -	Yield Gross
Baring International Fd Mngrs (Ireland) Ltd				
Australia	$16.52	17.35	+0.10	1.05
Japan Tech	$62.51	65.64	-0.27	-
Japan Fund	$25.92	27.22	-0.17	0.17
Japan New Gwth Fd	$20.48	21.51	-0.16	-
Malay Sing	$51.08	53.64	+0.23	0.31
Nth American	$21.89	22.99	-0.04	0.56
Osaka Fund	$21.28	22.35	+0.13	0.88
Pacific Fd	$62.19	65.30	....	-
International Bond	$17.32	18.19	+0.03	6.89
Europa Fund	$13.67	14.36		-
British Screen Fd	£0.95	1.00		-
Tristar Warrant	$10.20	10.71	-0.06	-
Hong Kong	$49.36	51.83	+0.32	3.09
Mngd Portfolio (Stg)	£4.24	4.56		-
Mngd Portfolio (Dlr)	$10.37	10.95		-
Currency Fd-Sterling		£19.43	+0.01	-
Currency Fd-US Dollar		$15.33	+0.01	-
Curr Fd-Deutschemark		DM40.43	+0.01	-
Curr Fd-Managed $	$44.62	46.85	-0.01	-
Federated International Funds Plc				
Federated Short-term US Gov't Securities Fund				
Investment Serv Series*		$1.00		5.47
Investment Series*		$1.00		5.47

*Annualised Yield

ISLE OF MAN (SIB RECOGNISED)

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Allied Dunbar Intl Fund Mgrs (1600)F						
Lord Street, Douglas, IoM				0624 661551		
ADI-Managed(z)	5	0.585	0.585	0.623	+0.001	1.32
ADI Mgd Currency(z)	5	0.389	0.389	0.4102	+0.001	5.58
ADI W'wide Eq(z)	5	0.6474	0.6474	0.6894	+0.015	1.12
ADI-Nth Amer Gen(z)	5	0.7484	0.7484	0.797	+0.006	0.01
ADI Far East (z)	5	1.122	1.122	1.194	-0.006	1.11
ADI Gilt & Income(z)	5	0.252	0.252	0.2656	+0.001	8.58
ADI UK Cap Gth (z)	5	0.2358	0.2358	0.2511	+0.001	3.27
ADI Europe Fd (z)	5	[illegible]	1.167	1.241	+0.007	1.39

For conversion Prices of Shares Phone. 0624 662860

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Midland Bank Fund Managers (Jersey) Ltd						
PO Box 26, St Helier, Jersey				0534 606000		
Intl Cimalt Portfolio	6	0.9919	0.9919	1.0519	+0.001	1.67
Gilt	3	0.9570	0.9570	0.9868	+0.002	10.13

For MIM see INVESCO MIM

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Royal Trust Jsy Fd Mngt Ltd (1400)F						
PO Box 428, St Helier, Jersey				0534 76077		
Govt Secs Fd	4	56.44	56.44	58.96		11.50
TSB Trust Funds (CI)						
PO Box 538, St Helier, Jersey				0534 73494		
TSB Offshore Investment Fund Ltd						
Stg Deposit Class	3	103.93	103.93	107.04	+0.08	10.30
Gilt & Fixed Interest	3	106.68	106.68	110.56	+0.07	9.73
Blue Chip & Gth Edged	5	51.92	51.92	55.28	+0.28	3.62
International Bond	5	110.49	110.49	117.02	+0.80	6.84
UK Equity	5	136.61	136.61	148.26	+3.59	0.93
International Equity	5	116.51	116.51	124.68	-1.06	0.00
Far Eastern	5	89.78	89.78	96.27	-0.31	0.00
European	5	88.57	88.57	93.72	-0.02	0.00
Pan American	5	145.04	145.04	154.60	-2.00	0.00
TSB Gilt Fund Ltd						
Quarterly Share	3	99.92	99.92	103.25	+0.14	9.48
Monthly Share	3	97.84	97.84	101.08	+0.14	10.19

JERSEY (REGULATED)(**)

	Bid Price	Offer Price	+ or -	Yield Gross
Barclays Intl Funds				
Currency Funds				
Sterling		£21.10	+0.01	9.6
US Dollar		$31.30	+0.02	4.3
Deutschemark		DM54.78	+0.02	7.9
Yen		Y4,022	+0002	5.9
Managed Multicurrency	£13.21	13.68	+0.01	-
Managed Multicurrency	$25.12	26.01	+0.01	-
Bond Funds				
Sterling Bond	£0.417	0.433	+0.001	10.6
US Government Income	$98.75	102.27	+0.46	6.7

	Bid Price	Offer Price	+ or -	Yield Gross
Warburg Asset Management Jersey Ltd				
Ch Island & Int	£1.45	1.55	..	1.55
Energy Int	$118.40	125.85	......	-
Mercury Bond Sep 25	$28.49	29.92	.	4.91
Metals Trust Sep 19	£14.56	14.86	......	-
Merc Money Mkt Stlg		£40.44		-
Mercury International Inv Tst Ltd				
Contl Europe Fd	£64.04	68.57	-0.04	-
Nth America Fd	£42.43	45.40	-0.77	-
Japan Fd	£43.84	46.92	-0.47	-
Pacific Fd	£44.78	47.97	-0.23	-
Reserve Fd	£50.26	52.79	+0.02	-
Wardley Fund Managers (Jersey) Ltd				
Wardley Funds Limited				
Managed Currency Fd	$16.609038		+0.00416	-
Worldinvest (Managers) Jersey Ltd				
Worldinvest Inc Fd †	$240.21	241.41	.	7.27
Exotic Global Eqty $*	$53.79	54.06	.	-
Exotic Global Eqty DM*	DM19.91	20.01	.	-
Exotic Global Fd Inc DM*	DM23.19	23.31	.	-

Valued weekly. * Mondays. † Wednesdays.

LUXEMBOURG (SIB RECOGNISED)

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Abbey Global Investment Fund (u)						
41 Ave de la Gare, L-1611, Luxembourg				352 409061		
Intl Inc & Gth Fnd			$1.7826	1.8046	+0.016	-
(Sterling Price)			£0.9725	1.0309	+0.006	-
UK Gth Fnd			£0.8629	0.9148	+0.004	-
American Gth Fnd			$3.9426	4.1792	+0.022	-
(Sterling Price)			£2.2527	2.3874	+0.012	-
European Gth Fnd			[illegible]	2.3803	[illegible]	-
(Sterling Price)			£1.5782	1.6730	[illegible]	-
Japanese Gth Fnd			Y434.78	460.90	-3.7	-
(Sterling Price)			£1.8707	1.9834	[illegible]	-
Pacific Basin Gth Fnd			$1.7192	1.8225	[illegible]	-
(Sterling Price)			£0.9821	1.0411	[illegible]	-
Reserve Fund			£1.4801	1.5722	+0.004	-
Stg Fixed Interest Fd			£1.1129	1.1798	[illegible]	-
Abtrust Fund Mngrs Luxembourg SA (u)						

	Bid Price	Offer Price	+ or -	Yield Gross
Target International Ltd				
Intl Growth Fd	$21.89	23.1029	+0.1267	-
Templeton Worldwide Investments				
Growth Portfolio				
Class A-1 $		$9.80		-
Class A-2 $		$11.00	......	-
Class A-3 $		$10.37	....	-
Class B-1 $		$9.61	....	-
Class B-2 $		$10.81	....	-
Income Portfolio				
Class A $		$10.83	..	-
Class B $		$10.76	....	-
Top Brand Fund Intl-SICAV (u)				

	Bid Price	Offer Price	+ or -	Yield Gross
GT Management Plc-Contd.				
GT Berry Japan Fd (z)		$29.39	-0.04	0.81
GT Berry Jap Stlg(z)		£18.95	-0.25	-
GT Biotech Hlth Fd (z)		$20.68	......	-
GT Bond Fund (z)		$17.63	+0.18	7.37
GT Deutschland Fd (z)		$11.66	-0.03	-
GT Dollar Fd (z)		$22.77		0.69
GT Emerging Mkts		$11.57	-0.10	0.09
GT Europe Fund (z)		$31.57	-0.01	0.06
GT Euro Small Cos (z)		$32.07	....	-
GT Global Small Cos(z)		$17.98	......	0.27
GT Global Tech (Susp)		$-		-
GT Hong Kong Fd (z)		$34.95	+0.09	3.12
GT Hong Pfder (z)		$12.31	+0.08	-

	Bid Price	Offer Price	+ or -	Yield Gross
NM Financial Mngt Intl Ltd				
Int Resident Prop Fd	£0.756	0.808	......	0.00
The New Zealand Fund				
Manager Leadenhall Offshore Ltd				
The NZ Fund	$5.44	5.82	-0.12	-
Newport International Management				
Npt. Intl. Securities		$40.94	......	-
Npt. Intl. Inc. Fd		$20.37	....	-
Npt. Pacific (10-1)		$2.85	....	-
Nomura Warrant Fund 1990 Ltd				
NAV		$1.63	......	-
North Star Fund Managers (Cayman) Ltd				
Invest Fund	DKr319.0	320.0	.....	-

	Bid Price	Offer Price	+ or -	Yield Gross
Wardley Investment Services Ltd				
Wardley S.E. Asia Tst	$12.70	13.41	+0.06	0.88
Japanese Warrants	$8.21	8.70	+0.27	-
Asian Warrants	$9.93	10.52	....	-
European Warrants	$4.82	5.11	-0.04	-
Managed	HK$10.19	10.87	+0.02	-
Private Capital Tst		$20.07	+0.07	-
Wellington Fd Mngrs (Bermuda) Ltd				
Intnl Growth Fd	$12.95	13.60	......	-
Wells Fargo U.S. IT Fund				
Wells Fargo A Shs (z)		$11.14	.. ..	-
Wells Fargo B Shs (z)		$11.84	......	-
Xiphias International Investment Fd Ltd				
Xiphias Int USD		$1.0504	....	-
Xiphias Int ECU		Ecu1.0688	.....	-

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. k Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. u Designated in Luxembourg as a UCITS (Undertakings for Collective Investment in Transferable Securities). x Offered price includes all expenses except agent's commission. z Previous day's price. ¶ Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.

(**) Funds not SIB recognised. The regulatory authorities for these funds are: Guernsey, Financial Services Commission; Ireland, Central Bank of Ireland; Isle of Man, Financial Supervision Commission; Jersey: Commercial Relations Department; Luxembourg: Institut Monétaire Luxembourgeois.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar remains under pressure

The foreign exchange markets yesterday focused on the possibility of a cut in US interest rates later this week, leading to continued selling pressure on the dollar.

The US currency was already weak during overnight trading in the Far East, following the pattern of last week. In the morning session in London, the US currency hit an early low of DM1.6575, having closed at DM1.6770 on Friday.

However, technical support at DM1.6575 proved sufficient to prevent any further weakening and the dollar saw a firmer tone in the afternoon session. An afternoon rally saw the dollar rise to DM1.6665 before stabilising to close at around the DM1.6625 level.

The pattern was repeated against other currencies. The dollar closed at Y132.80, off its low of Y132.60 but substantially below Friday's close of Y133.50.

Against the Swiss franc, the US currency closed at Sfr1.4485, again above the day's low of Sfr1.4450 but below the Sfr1.4615 levels of Friday.

Analysts noted that the US currency remained trapped within a fairly tight trading range despite selling pressure and underlying fears that the fragile recovery in the US economy may already be faltering.

This may change this week with the market anticipating a number of US economic indicators; leading indicators and the monthly national purchasing managers survey are due today, manufacturing orders and manufacturing shipments are due on Thursday and non-farm payroll data on Friday.

The last of these figures is seen by market participants as the most significant. In recent months a sharp decrease in employment has been the trigger for an easing of monetary conditions in the US.

Market expectations centre on a small increase in non-farm employment for September in the region of 20,000. However, some analysts are more gloomy. Nomura Research Institute is forecasting a 15,000 fall in employment, against a 34,000 gain in employment last month. Economists at Chemical Bank are forecasting a 65,000 fall in employment.

Any figure close to these pessimistic forecasts could leave the way open for the dollar to break out of the lower end of the current range. If technical support can be breached, analysts commented that the next level of support could be as low as DM1.62.

Within the European monetary system the D-Mark remained firm, bouyed by hopes that inflation will start to decline later this year as the distortions of higher oil prices and the effects of unification drop out the statistics.

Sterling suffered early selling following reports that the number of UK business failures is still rising. Analysts fear a politically-motivated cut in interest rates around the time of the Conservative party conference later this month.

Sterling hit a low of DM2.9080 in early trading before recovering to close at DM2.9150, little changed from Friday's close of DM2.9125.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Sep 30	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	129.678	-2.96	4.27	51
Belgian Franc	42.4032	42.1805	-0.53	1.72	28
Italian Lira	1538.24	1531.43	-0.44	1.63	24
D-Mark	2.05586	2.04708	-0.43	1.62	30
Dutch Guilder	2.31643	2.30743	-0.39	1.58	21
Irish Punt	0.767417	0.765889	-0.20	1.39	11
Danish Krone	7.84195	7.89854	0.72	0.46	-31
Sterling	0.696904	0.702859	0.85	0.33	-17
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times.

£ IN NEW YORK

Sep 30	Latest	Previous Close
£ spot	[illegible]	[illegible]
1 month	[illegible]	[illegible]
3 months	[illegible]	[illegible]
12 months	[illegible]	[illegible]

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Sep 30	Previous
[illegible]	[illegible]	[illegible]

CURRENCY MOVEMENTS

Sep 30	Bank of England Index	Morgan Guaranty Changes %
[illegible]	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). *Rates are for Sep 27

CURRENCY RATES

Sep 30	Bank rate %	Special Drawing Rights	European Currency Unit
[illegible]	[illegible]	[illegible]	[illegible]

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Sep 27

OTHER CURRENCIES

Sep 30	£	$
[illegible]	[illegible]	[illegible]
Malaysia	4.7850 - 4.7930	2.7355 - 2.7375
Mexico	5354.55 - 5361.10	3058.00 - 3060.00
N.Zealand	3.0855 - 3.0895	1.7610 - 1.7635
Saudi Ar	6.5365 - 6.6615	3.7500 - 3.7510
Singapore	2.9445 - 2.9515	1.6830 - 1.6850
S.Af (Cm)	4.9005 - 4.9120	2.8035 - 2.8050
S.Af (Fn)	5.3910 - 5.4750	3.0770 - 3.1250
Taiwan	46.45 - 46.50	26.50 - 26.55
U.A.E.	6.3995 - 6.4765	3.6715 - 3.6735

* Selling rate.

POUND SPOT - FORWARD AGAINST THE POUND

Sep 30	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. Six-month forward dollar 3.75-3.70cpm 12 Month 6.75-6.65cpm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Sep 30	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Sep 30	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years [illegible]; three years [illegible]; four years [illegible]; five years [illegible] per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Sep.30	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	ECU
£	1	1.753	2.915	232.8	9.925	2.540	3.285	2180.	1.982	60.00	1.426
$	0.570	1	1.663	132.8	5.662	1.449	1.874	1244	1.131	34.23	0.813
DM	0.343	0.601	1	79.86	3.405	0.871	1.127	747.9	0.680	20.58	0.489
YEN	4.296	7.530	12.52	1000.	42.63	10.91	14.11	9364	8.514	257.7	6.125
F Fr.	1.008	1.766	2.937	234.6	10.	2.559	3.310	2196	1.997	60.45	1.437
S Fr.	0.394	0.690	1.148	91.65	3.907	1	1.293	858.3	0.780	23.62	0.561
H Fl.	0.304	0.534	0.887	70.87	3.021	0.773	1	663.6	0.603	18.26	0.434
Lira	0.459	0.804	1.337	106.8	4.553	1.165	1.507	1000.	0.909	27.52	0.654
C $	0.505	0.884	1.471	117.5	5.008	1.282	1.657	1100	1	30.27	0.719
B Fr.	1.667	2.922	4.858	388.0	16.54	4.233	5.475	3633	3.303	100.	2.377
ECU	0.701	1.229	2.044	163.3	6.960	1.781	2.304	1529	1.390	42.08	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS
£50,000 64ths of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS
$100,000 64ths of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE BUND FUTURES OPTIONS
DM250,000 points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE EUROMARK OPTIONS
DM1m points of 100%

Strike Price	Calls-settlements		Puts-settlements	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE EURODOLLAR OPTIONS
US$1m points of 100%

Strike Price	Calls-settlements		Puts-settlements	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE SHORT STERLING OPTIONS
£500,000 points of 100%

Strike Price	Calls-settlements		Puts-settlements	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT; US TREASURY BONDS 8%; 6% NOTIONAL GERMAN GOVT. BOND; 6% NOTIONAL LONG TERM JAPANESE GOVT. BOND; 9% NOTIONAL ECU BOND; 12% NOTIONAL ITALIAN GOVT. BOND (BTP); THREE MONTH STERLING; THREE MONTH EURODOLLAR; THREE MONTH EUROMARK; THREE MONTH ECU; THREE MONTH EURO SWISS FRANC; FT-SE 100 INDEX; FT-SE EUROTRACK 100 INDEX

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* Contracts traded on APT after trading hours

POUND - DOLLAR
FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7530	1.7450	1.7331	1.7158	1.6840

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%; U.S. TREASURY BILLS (IMM) $1m points of 100%; BRITISH POUND (IMM) $ per £; STANDARD & POORS 500 INDEX $500 times index; SWISS FRANC (IMM) SFr 125,000 $ per SFr; JAPANESE YEN (IMM) Y12.5m $ per Y100; DEUTSCHE MARK (IMM) DM125,000 $ per DM; THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PHILADELPHIA SE £/$ OPTIONS
£31,250 (cents per £1)

Strike Price	Calls				Puts			
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PARIS

7 to 10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES; 10 YEAR 10% ITALIAN LONG TERM CONTRACT (MATIF) FUTURES; THREE-MONTH PIBOR FUTURES (MATIF) (Paris interbank offered rate); CAC-40 FUTURES (MATIF) Stock Index; ECU BOND (MATIF); OPTION ON LONG-TERM FRENCH BOND (MATIF)

	Open	Sett price	Change	High	Low	Yield	Open int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	Midland Bank	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Mount Banking	10.5
AIB Bank	10.5	Duncan Lawrie	10.5	NatWestminster	10.5
Henry Ansbacher	10.5	Exeter Trust Ltd	[illegible]	Northern Bank Ltd	10.5
B & C Merchant Bank	[illegible]	Equatorial Bank plc	10.5	Nykredit Mortgage Bank	[illegible]
Bank of Baroda	10.5	Financial & Gen. Bank	[illegible]	Provincial Bank PLC	[illegible]
Banco Bilbao Vizcaya	10.5	First National Bank Plc	[illegible]	Roxburghe Guarantee	[illegible]
Bank of Cyprus	10.5	Robert Fleming & Co	10.5	Royal Bk of Scotland	10.5
Bank of Ireland	10.5	Robert Fraser & Ptnrs	[illegible]	Smith & Williamson Secs	10.5
Bank of India	10.5	Girobank	10.5	Standard Chartered	10.5
Bank of Scotland	10.5	Guinness Mahon	10.5	TSB	10.5
Banque Belge Ltd	10.5	Hambros Bank	10.5	Unibank plc	10.5
Barclays Bank	10.5	Hampshire Trust Plc	[illegible]	United Bk of Kuwait	10.5
Benchmark Bank	[illegible]	Heritable & Gen Inv Bk	[illegible]	Unity Trust Bank Plc	10.5
Brit Bk of Mid East	10.5	Hill Samuel	10.5	Western Trust	[illegible]
Brown Shipley	10.5	C. Hoare & Co	10.5	Whiteaway Laidlaw	[illegible]
CL Bank Nederland	10.5	Hongkong & Shanghai	10.5	Yorkshire Bank	10.5
Citibank NA	10.5	Leopold Joseph & Sons	10.5	Members of British Merchant Banking & Securities Houses Association	
City Merchants Bank	[illegible]	Lloyds Bank	10.5		
Clydesdale Bank	10.5	Meghraj Bank Ltd	10.5		
Co-operative Bank	10.5	Midland Bank	10.5		
Coutts & Co	10.5	McDonnell Douglas Bnk	[illegible]		

MONEY MARKET FUNDS

Money Market Trust Funds

	Gross	Net	CAR	Int Cr
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Money Market Bank Accounts

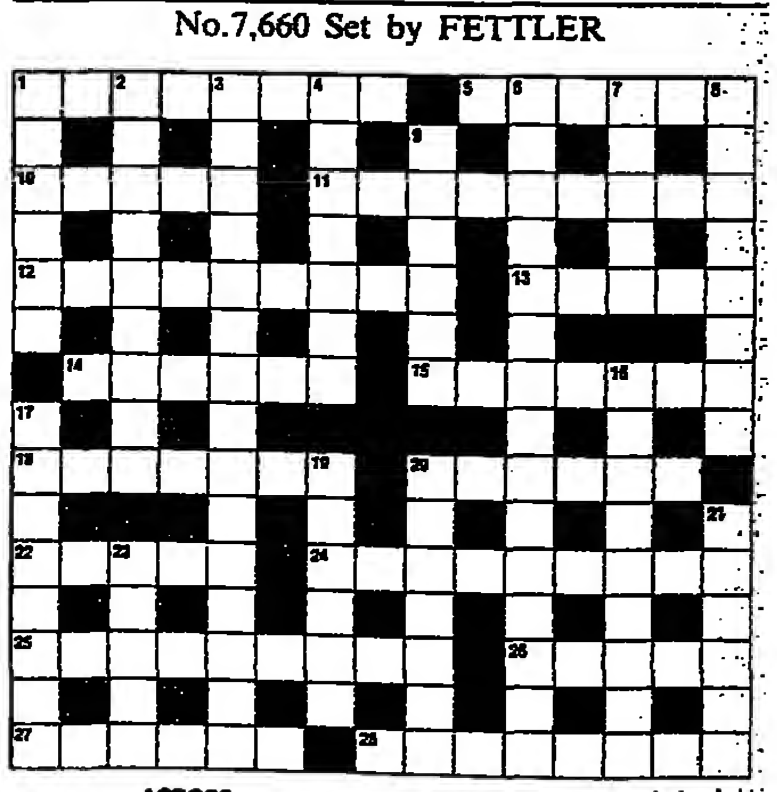
	Gross	Net	CAR	Int Cr
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NOTES - Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Gross rate after allowing for deduction of basic rate income tax. Gross CAR: Gross rate expressed to allow for the compounding of interest paid other than once a year. Compounded Annual Rate. Int Cr: Frequency at which interest is credited to the account.

JOTTER PAD

CROSSWORD

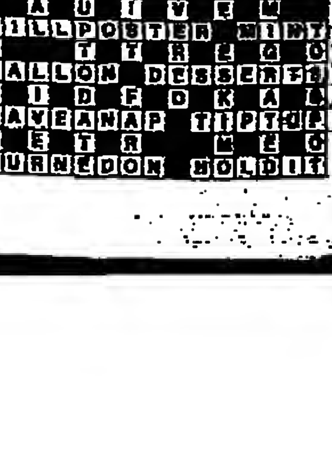
No.7,660 Set by FETTLER



ACROSS
1 Point at which sentence ends (4,4)
5 Scratch, right in full view (6)
10 Horse that's backed to go over the ground again (5)
11 Scholar participates in foolish dialectic (9)
12 Heather's got a ring and is describing it (9)
13 Catch girl with nothing on (5)
14 Mother – monied (not half) – displays wealth (6)
15 Touching code's showing pity (7)
18 Case in new false teeth . . . (7)
20 . . . and let off such treatment (6)
22 Run or walk-on part (5)
24 Capt Royal portrays (4-5)
25 Old established custom? It's enshrined in riot and turmoil (9)
26 No.1 returns in charge of old school (5)
27 Yes, lad playing hinders things (6)
28 Old head epitomises age (8)

DOWN
1 Rod used for punishment under iron government (6)
2 Dull black rain has British seeking shelter (9)
3 In addition, gymnasts could be laity, right? (15)
4 Owing a point of view (7)
6 Emmy, in cello part, played alongside (15)
7 Are cars peculiar to USA? (5)
8 Order such as this when ended, is about near (8)
9 Woman's underclothing that's left to lie about (6)
16 Can create nasty counter-effect (8)
17 A conservative's awfully decent – emphatically so! (8)
19 Venomous snake is producing putrefaction (6)
20 It's drier when abowser in Derby passes by (7)
21 Courses and follows (6)
23 Dog getting third (5)

Solution to Puzzle No.7,659



MONEY MARKETS

UK market tight

UK money market conditions remained tight yesterday with overnight interbank rates squeezed higher by demand for funds on the last day of the quarter, and the half-year close for many Japanese institutions.

The Bank of England forecast a £900m money market liquidity shortgage for the day but offered only limited assistance during the moring session. An early round of assistance saw the Bank purchase just £13m of band 1 and band 2 bills. Later in the morning session a further £30m of band 2 bills were purchased, but this was inadequate to satisfy the demand for funds.

UK clearing bank base lending rate 10.5 per cent from September 4,1991

The London interbank offered rate rose from 12 per cent at the opening to touch 13½ per cent by early afternoon as institutions clamoured for funds.

At this point the Bank of England stepped in with the injection of funds that the market had been anticipating. A further £781m of band 1 and band 2 bills were purchased, followed by an additional £70m late assistance shortly before the close. This left the total liquidity injection for the day at £893m, just £7m short of the forecast shortage.

However, the pressure on rates remained great until the very close of trading. Overnight money rates remained towards 13¼ per cent for much of the afternoon session before falling back to 12 per cent by the close.

The key three-month interbank money rate closed at 10⅞ per cent, edging up $\frac{1}{16}$ on the day against Friday's closing level of $10\frac{13}{16}$ per cent. Six month interbank money was quoted at $10\frac{11}{16}$ per cent by the close. The one year interbank funding rate was also 10⅝ per cent.

In Frankfurt, money market conditions remained tight, driven by the same end-of-month and end-of-quarter pressures as London. As a result call money remained firm at 9.25 per cent, the same as the Bundesbank's Lombard emergency funding rate.

In the past it has raised the Lombard rate rather than see banks tap its emergency funding source.

In New York, the Federal Reserve sought to cap money market rates by injecting $2bn via customer repurchase operations. After the injection Fed funds were quoted at 5⅜ per cent, below the morning high of 5½ per cent but still above 5¼ per cent – believed to be the target rate for money market funds.

FT LONDON INTERBANK FIXING

11.00 a.m. Sep 30	3 months US dollars		6 months US Dollars	
	bid [illegible]	offer [illegible]	bid [illegible]	offer [illegible]

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK Treasury Bills and Bonds

Lunchtime			
Prime rate	[illegible]	One month	[illegible]
Broker loan rate	[illegible]	Two month	[illegible]
Fed.funds	[illegible]	Three month	[illegible]
Fed.funds at intervention	[illegible]	Six month	[illegible]
		One year	[illegible]
		Two year	[illegible]
		Three year	[illegible]
		Five year	[illegible]
		7 year	[illegible]
		10 year	[illegible]
		30 year	[illegible]

Sep.30	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

Sep 30	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Interbank Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Deps	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Company Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell): one-month [illegible] per cent; three months [illegible] per cent; Bank Bills (sell): one-month [illegible] per cent; three months [illegible] per cent. [illegible] Finance House Base Rate [illegible] from September 1, 1991. Bank Deposit Rates for sums at seven days notice [illegible] per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month [illegible] per cent; one-three months [illegible] per cent; three-six months [illegible] per cent; six-nine months [illegible] per cent; nine-twelve months [illegible] per cent; Under £100,000 [illegible] per cent from Sept 5,1991. Deposits withdrawn for cash 5 per cent.

DISCOUNT BROKERAGE
FUTURES/OPTIONS
Service - Concepts - Execution
£15 LONDON | $22 CHICAGO
R.C. GOVERNMENT SECURITIES INC
1 Royal Exchange Avenue
London EC3V 3LT
Tel: 071 283 3591
Fax: 071 929 6681
Member SFA NASD
London - New York - Los Angeles
Name........
Address........
........Postcode........

LEGAL NOTICES

INSURANCE COMPANIES ACT 1982

Refuge Assurance PLC

TRANSFER OF GENERAL BUSINESS

1. NOTICE IS HEREBY GIVEN that Refuge Assurance PLC applied to the Secretary of State for Trade and Industry on 17th September, 1991 for his approval, pursuant to section 51 of the Insurance Companies Act 1982, to transfer to Direct Line Insurance plc all of its rights and obligations, except in respect of twelve cases where Refuge Assurance PLC will retain conduct of current claims, under motor policies written by it in the United Kingdom prior to 1st August, 1991.

2. Copies of the Statement of Particulars of the proposed transfer are available for inspection at Refuge House, Alderley Road, Wilmslow, Cheshire SK9 1PF from Monday to Friday between 9.00am to 5.00pm until 7th November, 1991.

3. Written representations concerning the transfer may be sent to the Secretary of State for Trade and Industry, Department of Trade and Industry, Insurance Division, 10-18 Victoria Street, London SW1H 0NN before 28th November, 1991. The Secretary of State will not determine the application until after considering any representations made to him before that date.

WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Sep 27	Sep 26	Sep 25	Sep 24	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	3006.04	3017.22	3021.02	3029.07	3055.23 (28/8)	2470.30 (9/1)	3055.23 (28/8/91)	41.22 (2/7/32)
Home Bonds	97.03	96.77	96.73	96.64	97.03 (27/9)	91.30 (16/1)	97.03 (27/9/91)	54.99 (1/10/81)
Transport	1187.59	1190.59	1184.94	1187.41	1241.89 (3/6)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	210.44	209.94	209.81	208.94	220.89 (16/4)	195.17 (10/7)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 3040.70 (3040.70) Low 2989.49 (2996.87)

STANDARD AND POOR'S	Sep 27	Sep 26	Sep 25	Sep 24	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	385.90	386.49	386.88	387.71	396.64 (28/8)	311.49 (9/1)	396.64 (28/8/91)	4.40 (1/6/32)
Industrials	456.45	457.59	458.50	459.72	472.01 (29/8)	364.90 (9/1)	472.01 (29/8/91)	3.62 (21/6/32)
Financial	31.51	31.47	31.49	31.59	32.24 (14/8)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	212.21	212.44	212.53	212.90	217.17 (28/8)	170.97 (9/1)	217.17 (28/8/91)	4.46 (25/4/42)
Amex Mkt. Value	373.89	373.62	372.91	372.16	373.89 (27/9)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	524.48	526.94	527.82	526.47	527.82 (25/9)	355.75 (14/1)	527.82 (25/9/91)	54.87 (31/10/72)

	Sep 20	Sep 13	Sep 6	year ago (approx.)
Dow Industrial Div. Yield	3.04	3.07	3.04	4.03
	Sep 25	Sep 18	Sep 11	year ago (approx.)
S & P Industrial div. yield	2.73	2.73	2.74	3.49
S & P Indl. P/E ratio	21.14	21.15	21.01	14.55

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Comm Pgc	5,183,800	17¼	- 6½
Saatchi	3,998,200	⅛	+ ⅛
USX	2,717,200	31½	- ⅛
Bristol My	2,695,800	81⅞	- 1
Global Mar	2,490,500	3⅝	+ ¼
Nat Medical	2,043,900	21⅝	- 1¼
AT & T	1,895,100	37⅝	- ⅛
Pepsico	1,840,800	28⅜	...
Adv Micro	1,644,400	9½	- 1
GTE	1,614,600	30½	...

TRADING ACTIVITY

† Volume (Millions)	Sep 27	Sep 26	Sep 25
New York SE	160.430	160.190	153.800
Amex	17.263	15.055	14.421
NASDAQ	168.295	173.238	178.119
NYSE			
Issues Traded	2,086	2,088	2,093
Rises	769	871	721
Falls	762	695	811
Unchanged	555	522	561
New Highs	128	93	95
New Lows	12	14	17

CANADA

TORONTO	Sep 27	Sep 26	Sep 25	Sep 24	1991 HIGH	1991 LOW
Metals & Minerals	2844.16	2867.53	2878.43	2893.55	3299.99 (18/7)	2632.06 (9/1)
Composite	3381.80	3385.14	3390.08	3398.10	3582.07 (7/6)	3161.95 (15/1)
MONTREAL Portfolio	1803.04	1805.37	1812.74	1815.84	1903.86 (7/6)	1686.89 (9/1)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Sep 30	Sep 27	Sep 26	Sep 25	1991 HIGH	1991 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1562.1	1558.8	1568.4	1562.0	1591.3 (7/8)	1204.5 (16/1)
All Mining (1/1/80)	647.4	649.0	653.8	649.1	707.2 (24/7)	561.6 (16/1)
AUSTRIA						
Credit Aktien (30/12/84)	455.70	453.75	454.72	457.94	534.82 (16/4)	398.84 (15/1)
BELGIUM						
BEL20 (1/1/91)	1088.95	1086.95	1086.11	1088.89	1212.15 (17/4)	917.59 (17/1)
DENMARK						
Copenhagen SE (3/1/83)	(u)	362.39	361.84	361.21	388.84 (2/8)	302.26 (8/1)
FINLAND						
HEX General (28/12/90)	851.3	860.7	867.0	882.5	1106.9 (8/4)	851.3 (30/9)
FRANCE						
CAC General (31/12/82)	496.43	493.70	494.21	497.15	497.15 (25/9)	394.88 (15/1)
CAC 40 (31/12/87)	1880.59	1883.80	1876.49	1877.93	1886.49 (20/9)	1425.26 (15/1)
GERMANY						
FAZ Aktien (31/12/58)	665.16	664.87	667.65	672.92	717.43 (17/6)	570.48 (15/1)
Commerzbank (1/12/53)	1869.50	1867.10	1879.40	1895.00	2035.2 (31/5)	1612.5 (15/1)
DAX (30/12/87)	1607.03	1608.14	1619.99	1625.41	1715.80 (11/6)	1311.82 (16/1)
HONG KONG						
Hang Seng Bank (31/7/64)	3956.69	3938.72	3927.98	3901.95	4079.01 (14/8)	2984.81 (16/1)
IRELAND						
ISEQ Overall (4/1/88)	1443.52	1444.56	1447.22	1447.19	1528.65 (15/3)	1114.86 (25/1)
ITALY						
Banca Com. Ital. (1972)	539.06	539.59	539.39	541.31	619.38 (3/6)	486.26 (29/1)
JAPAN						
Nikkei (16/5/49)	23916.44	23969.47	23968.08	23577.42	27146.91 (18/3)	21456.76 (19/8)
Tokyo SE (Topix) (4/1/68)	1832.20	1829.10	1830.79	1812.86	2028.85 (18/3)	1625.00 (17/1)
2nd Section (4/1/68)	2888.39	2867.52	2847.04	2817.62	3423.45 (10/5)	2473.52 (24/1)
MALAYSIA						
KLSE Composite (4/4/86)	522.69	530.70	526.70	523.08	635.02 (29/5)	470.41 (16/1)
NETHERLANDS						
CBS Ttl Rtn Gen (End 1983)	275.6	277.1	276.9	276.9	284.8 (5/6)	221.4 (16/1)
CBS All Shr (End 1983)	193.9	194.9	194.8	194.8	203.1 (5/6)	162.3 (16/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	753.05	757.32	757.75	749.79	793.53 (26/8)	610.45 (21/1)
PHILIPPINES						
Manila Comp (2/1/85)	953.05	959.33	965.31	973.67	1183.40 (29/5)	582.64 (10/1)
SINGAPORE						
SES All-Singapore (2/4/75)	375.30	374.81	374.53	376.48	422.43 (26/4)	315.07 (16/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1133.0	1096.0	1127.0	1147.0	1469.0 (5/7)	971.0 (25/2)
JSE Industrial (28/9/78)	3974.0	3973.0	4049.0	4086.0	4237.0 (10/9)	2829.0 (16/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	705.07	685.21	679.48	680.30	763.10 (6/8)	590.57 (22/6)
SPAIN						
Madrid SE (30/12/85)	(u)	274.55	276.43	277.86	299.22 (18/3)	213.70 (14/1)
SWEDEN						
Affärsvärlden Gen. (1/2/37)	1035.3	1030.0	1042.8	1063.3	1149.8 (11/7)	808.4 (8/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	738.7	741.1	738.9	742.7	769.2 (29/8)	590.4 (14/1)
SBC General (1/4/87)	608.0	608.8	607.0	610.2	638.8 (31/5)	487.1 (14/1)
TAIWAN**						
Weighted Price (30/6/66)	4867.13	4851.50	4842.33	4799.68	6305.22 (9/5)	3316.26 (15/1)
THAILAND						
Bangkok SET (30/4/75)	670.79	685.51	693.05	691.88	908.13 (19/4)	582.48 (16/1)
WORLD						
M.S. Capital Intl. (1/1/70) (S)	515.6*	511.5	513.8	512.5	529.2 (17/4)	439.1 (16/1)

*Saturday September 28: Taiwan Weighted Price: (c). Korea Comp Ex. 691.74
‡ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX—1,000, JSE Gold—255.7, JSE 2b Industrials—264.3 and Australia All Ordinary and Mining—500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Monday 30 September 1991

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Unitika	7.5m	594	+12	Tomen	6.3m	613	+18
Kumagai Gumi	7.1m	882	+27	Mitsubishi Kasei	6.0m	593	+40
Topy Ind	7.1m	740	+41	Nissho Iwai	5.7m	710	+45
Sumitomo Heavy	6.8m	800	+15	Meiji Seika	4.0m	1,290	-20
Sankyu	6.7m	802	+42	Hitachi Zosen	3.8m	716	-6

WORLD TELECOMMUNICATIONS

The FT proposes to publish this survey on October 7 1991.

72 % of Chairman, Managing Directors and Board Directors of Britains 500 largest companies read the FT. If you want to reach this important audience, call Philip Dodson on 071 873 3389 or fax 071 873 3062.

Data source: MORI - Captains of Industry Survey 1990

FT SURVEYS

3:00 pm prices September 30

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16⅞	9¼	AAR Corp	0.48	0.03	18	157	14	13⅝	13¾	
18¾	14½	A L Labs A x	0.18	0.01	19	83	17¾	17⅝	17¾	
55¾	40⅞	AMP Inc	1.44	0.03	19	940	51⅞	51¼	51¼	-½
68⅝	44¼	AMR			1	12349	57⅝	57	57⅛	-⅛
2⅝	1	ARX			1	120	1⅛	1⅛	1⅛	+⅛
56	41½	ASA	3.60	0.07	14	701	48⅞	47⅞	48⅛	+1⅛
55¼	39¼	Abbott Lab x	1.00	0.02	22	1822	54¼	53½	54⅛	+⅞
14⅝	9⅞	Abitibi Pr	0.50	0.04	24	10	13⅝	13⅝	13⅛	
11⅝	10⅜	ACM Gvt In	1.26	0.11		426	11¼	11⅛	11⅛	
9¾	8¾	ACM GvOpp	1.01	0.10		38	9⅝	9½	9⅝	+⅛
9⅛	8¼	ACM Int Sp x	1.01	0.11		1039	u9¼	9⅛	9⅛	
11	9⅞	ACM Gvt Se x	1.26	0.12		714	10⅝	10½	10⅝	
9¼	7⅝	ACM Man	1.01	0.12		276	u8⅞	8⅝	8¾	
12⅞	11½	ACM Managd	1.35	0.11		144	12⅜	12¼	12¼	
7½	4¼	Acme Cleve	0.40	0.06	16	44	6¼	6¼	6¼	-⅛
6	3⅞	Acme Elect			2	55	4⅛	4⅛	4⅛	-¼
40	22⅞	Acuson			22	805	32½	32⅛	32½	
19⅛	14¼	Adams Expr	0.73	0.04	0	60	18⅞	18⅝	18⅞	+⅛
20⅛	17½	Adobe12Pf	2.40	0.12		15	19⅝	19⅝	19⅝	
9¼	6⅞	Adobe Res			46	465	7½	7¼	7¼	-⅛
38⅞	18	Ad Micro				6	33	32½	32½	-½
14¼	4⅞	Ad Micro P	3.00	0.32	16	8902	9⅝	8⅞	9⅝	-¼
8⅛	2¼	Advest Grp	0.16	0.04	8	70	3½	3½	3½	-⅛
49¼	31⅞	Aetna Li	2.76	0.08		73273	34	33¼	33⅞	+½
10⅝	6⅝	AGH A	0.24	0.03	45	358	8¼	8⅛	8⅛	-⅛
20⅞	12	Ahmanson	0.88	0.05	11	1253	18⅛	17⅞	18⅛	+¼
14⅞	2⅞	Aileen Inc			14	839	14⅛	13⅞	13⅞	-⅛
74⅛	51⅝	Air Pr Chm x	1.56	0.02	14	1076	66⅞	65½	66⅞	+⅝
30	18⅝	Airbne Frt	0.30	0.01	17	200	26	25⅞	26	
19⅞	12½	Airgas Inc			106	329	19	18¼	19	+⅛
16¼	10	Airlease x	1.88	0.12	7	28	13⅝	13½	13½	-¼
96½	88¼	AlaPw8 16	8.16	0.08		2	96	95	96	+1
25½	21⅞	AlaPw P1A	2.00	0.08		11	u25⅛	25⅛	25⅛	
108½	100	AlaPw9.44	9.44	0.09		z100	104	104	106½	+2½
106	102⅝	Alab Pw 11				2	104	104	104	
103	96	Alab Pw 9P	9.00	0.09		z100	u103	103	101½	-1½
96	86	Alab 8.28C	8.28	0.09		3	96	96	96	+¼
10⅞	9⅞	AlaPwDpPf	0.87	0.08		13	u10⅞	10¼	10¼	
26¼	17½	Alaska Air x	0.20	0.01	99	169	22⅛	21⅞	22	
20	10	Albany Int	0.36	0.02	80	296	18⅝	18¼	18⅝	+⅛
34⅛	20½	AlCulvr B	0.22	0.01	17	88	23½	23	23½	+¼
24⅞	16¼	AlCulvr A	0.20	0.01	16	1010	19	18⅞	19	+¼
61⅞	32⅝	Albertsons x	0.56	0.01	20	1905	36½	36	36¼	-⅛
23⅛	18½	Alcan Alum	0.90	0.03	18	2316	19⅝	19½	19⅝	
35⅞	29	Alco Stand	0.88	0.03	17	123	33⅞	33½	33¼	+¼
29⅛	19⅝	Alexr Alex	1.00	0.05	16	568	20⅝	20⅛	20⅝	
37½	19⅞	Alexanders			54	6	32	32	32	+¼
29⅛	21⅞	Allegh Lud	0.88	0.03	19	252	27⅞	26	27¼	+1
43¼	35	Allegh Powr	3.16	0.07	12	1057	43⅞	43⅞	43⅝	
21⅝	16⅝	Allen Gp x	1.75	0.08		31	21⅞	21¼	21⅞	+⅛
17½	9¾	Allen Con			17	178	17	16¾	16⅞	+⅛
25½	16¾	Allergan	0.32	0.01	17	204	21½	21⅛	21½	+¼
31⅝	16¼	Allnce Cap	1.92	0.07	15	222	26⅜	26¼	26⅛	-¼
13⅜	9⅞	Allnce Gl				79	11⅛	11⅛	11⅛	
24½	18¼	All Ir Bk				48	23	22⅝	22⅞	-⅛
39½	25⅞	Alld Sig	1.80	0.05	13	1976	36½	36⅛	36¼	-¼
10	8¾	AlstMunTr	0.69	0.07		151	9⅞	9¾	9¾	-⅛
10	8⅝	AlstIncOp x	0.84	0.09		89	9¼	9⅛	9¼	
9⅞	8¼	AlstMinc x	0.72	0.08		68	9½	9½	9½	
9¾	8⅞	AlstMinc x	0.66	0.07		104	9½	9½	9½	

FILTER CIGARETTES
Marlboro
20 CLASS A CIGARETTES

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	7⅛	RollinsTrL	0.20	0.01	18	101	16	14¾	16	+⅛
11⅞	8¾	Rowan Cos				481009	7¾	7⅝	7¾	+⅛
25⅝	22¼	RoyBkScot	2.61	0.11		133	25	24⅞	25	
84½	73⅛	RylDutch x	4.23	0.05	103	119	80⅞	80⅛	80¾	+⅛
11	7½	Royce Val				80	10	9⅞	9⅞	−⅛
59¼	37	Rubbermaid	0.60	0.01	29	227	56¼	55⅞	56⅛	+⅛
16¾	13½	Ruddick	0.39	0.02	13	117	16⅞	15¾	15¾	
16⅞	13	RussBerrie	0.60	0.06	14	58	17⅛	17	17	
7⅛	3⅜	Russ Togs	0.20	0.06	0	121	3⅝	d3¼	3¼	−⅛
30⅝	19¾	Russell Cp	0.32	0.01	24	234	29⅝	29⅝	29⅝	
21⅝	14	Ryder Syst	0.60	0.03	25	618	17⅝	17½	17½	
26¾	13¼	Ryland Grp	0.60	0.03	36	413	22⅞	21¾	22⅝	+⅞

- S -

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
28⅞	20⅞	S Anta Rt x	2.06	0.08	20	41	28⅝	28¼	28⅜	−⅛
16½	11½	SCOR US Cp x	0.24	0.02	9	125	16⅛	15¾	16¼	−⅛
37	20¼	SPS Techno	1.28	0.05	11	71	25⅛	24⅞	24⅞	−⅞
2¼	¾	Saatchi&S	0.19	0.28		01005	⅞	⅞	⅞	
13	11	Sabine Rlt	1.32	0.11	7	76	12⅛	12⅛	12⅛	
8⅞	6⅞	Safecard	0.15	0.02	7	223	8½	8¼	8⅜	+⅛
13⅞	8⅞	Safeg'd Sc			3	3	11¾	11¾	11¾	
[illegible]										

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
44	25⅞	Witco Corp	1.84	0.05	14	112	39	38⅝	39	+⅛
13	7¼	Wolverine x	0.16	0.01	14	28	12	11¾	11⅞	
38⅞	25½	Woolworth	1.08	0.04	14	3951	29⅛	29	29	−⅛
15	11⅝	World Wide				19	13¾	13⅝	13¾	
10⅛	3⅝	Worldcorp			9	349	9⅛	8⅞	9	−⅛
65⅛	49⅛	Wrigley	1.00	0.02	20	131	62⅛	61⅞	62⅛	
17	10¾	Wyle Labor	0.28	0.02	10	41	12	11¾	11⅞	+⅛
19⅞	14⅝	Wynns Int	0.80	0.04	12	88	16¾	16⅝	16⅝	−⅛

- X - Y - Z -

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
62⅛	35¼	Xerox	3.00	0.05	10	1450	61¼	60⅝	61¼	+⅛
51½	43⅛	Xerox4.125				15	49¾	49¾	51	+⅝
21⅞	14⅛	Xtra 1.94				272	u22⅛	21⅞	22⅛	+⅛
24⅞	14¼	Xtra Corp	0.72	0.03	85	381	u25½	24¾	25½	+⅞
25½	21¾	Yankee Egy	1.80	0.08	12	56	25¾	25⅛	25¼	
1½	⅞	Zapata			2	84	1⅛	1	1	−⅛
9⅞	5⅛	ZenithElec			1	254	5⅝	d5⅜	5⅝	+⅛
18½	12	Zenith Nat x	1.00	0.06	91	84	15⅝	15⅜	15⅝	+⅛
6¼	4½	Zenix Inc x	0.84	0.13		11	u6¼	6¼	6¼	
15⅛	10⅞	Zero Corp	0.40	0.03	16	110	14½	14¼	14⅜	−⅛
41⅞	29½	Zurn Ind	0.88	0.03	13	100	33½	33¼	33⅜	−⅛
13½	10¼	Zweig Fund	1.18	0.09		236	12⅝	12⅜	12⅝	+⅛
10⅝	8½	Zweig Totl	0.96	0.09		644	u10⅜	10¼	10¼	−⅛

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices September 30

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
Pegasus G		6	1034	10⅝	10⅜	10½	+⅞
Perini		8	4	9¾	9⅝	9⅝	−⅛
Pet Ht&P	0.31	12	3	10⅛	10⅛	10	−⅛
Phil LD	0.17	8	107	19⅞	19½	19⅝	−⅛
Pittway A x	1.10	10	61	23⅞	23⅝	23⅝	−⅛
Ply Gem	0.12	162	52	7⅝	7⅝	7⅝	
PMC			15	9	8⅞	8⅞	−⅛
[illegible]							

NASDAQ NATIONAL MARKET

3:00 pm prices September 30

Stock	Div.	P/ E	Sls 100s	High	Low	Last	Chng
[illegible]							

WORLD ECONOMY

The FT proposes to publish this survey on

October 14 1991.

It will be of particular interest to the 54%of Chief Executives in Europe's largest companies who read the FT. If you want to reach this important audience,call Tina-Louise Collins on 071 873 3230 or fax 071 873 3079.

Data source:Chief Executives in Europe 1990

FT SURVEYS

HUNGARY

The FT proposes to publish this survey on

October 30 1991.

54% of Chief Executives of Europe's largest companies read the FT. If you want to reach this important audience by advertising in this survey, callPatricia Surridge on 071 873 3426. or Fax 071 873 3079

Data source: Chief Executives in Europe 1990

FT SURVEYS

AMERICA

Hopes of monetary easing help Dow reverse losses

Wall Street

SHARE PRICES recovered from early morning losses yesterday to stand slightly higher at midday in moderate trading, *writes Patrick Harverson in New York.*

By 1 pm the Dow Jones Industrial Average was up 4.25 at 3,010.29, having reversed an early 15-point decline. The more broadly based Standard & Poor's 500 index moved in a similar fashion, falling then rising to stand up 0.90 at 386.80, while the Nasdaq composite of over-the-counter stocks eased 0.21 to 524.27. Turnover on the NYSE was 81m shares, and advances outpaced declines by 777 to 633.

Shares opened weaker and fell quickly after a rise in the Chicago Purchasing Managers' index for September unnerved the bond futures market, which has been firmer on hopes that the Federal Reserve would cut interest rates again to boost the flagging economy. Selling of bond futures triggered selling in stock-index futures, which led to a decline in the underlying market.

Prices recovered their poise, however, because hopes of an easier monetary policy are growing. The Open Market Committee of the Fed meets today to decide on the next step for interest rates. Analysts expect it to vote to keep policy steady until Friday's employment numbers for September are released. Evidence of a weakening labour market could trigger another rate cut.

Among individual stocks Duracell fell $⅞ to $25⅞ after the battery maker, which went public earlier this year, issued 12m shares, including 7m which will be sold by partnerships controlled by Kohlberg Kravis Roberts, the leveraged buyout specialists.

Walt Disney gave up $2 to $112 after the company warned that fiscal fourth quarter profits would be in the range of $1.28 a share to $1.33 a share, well down on the $1.72 a share earned a year ago. USAir dropped $1 to $9¼ amid concerns about the future for the troubled commercial airline, which has warned that it will record a pre-tax loss of more than $500m in 1991. The airline also said that 1992 might not be much better. After the warnings, Moody's Investors Service put the company's debt on standby for a downgrade.

Among other airline stocks, AMR, parent of American, fell $⅝ to $57⅝, UAL firmed $⅛ to $127, and Delta put on $⅛ to $64⅞.

Shares of ICI, the UK drugs and chemicals group, rose $2⅞ to $33⅞ on hopes that tests of the company's Tamoxifen compound will prove its effectiveness against diseases other than breast cancer.

On the over-the-counter market Zenith Laboratories plunged $7 or 35 per cent to $12⅞, after a subsidiary of Sandoz, a European drug company, said that it would not supply the raw material that Zenith needs to make Cefadroxil, an antibiotic product.

Old Stone Corporation, the Rhode Island banking group, plummeted $1⅛ to $5 on worries that US thrift regulators may force Old Stone to make a "material" provision to its reserve.

Canada

TORONTO concentrated on gold shares at midday, after a rise in bullion prices. Placer Dome gained C$⅛ to C$12⅞ and American Barrick rose C$⅛ to C$24⅞.

The gold and silver index rose 134.39 to 4,606.70, while the composite index was up only 1.82 at 3,383.60 in volume of 7.6m shares. Advances led declines by 178 to 174 with 230 unchanged.

Japan again provides support for world

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1991	Start of 1991	Start of 1991
Austria	−0.74	−0.70	+7.48	+3.31	+1.86	−8.29
Belgium	−2.50	−4.08	+6.94	+7.52	+6.68	−3.96
Denmark	−0.73	−3.01	+17.35	+22.46	+21.18	+9.10
Finland	−6.90	−13.80	−10.20	−6.65	−8.54	−17.67
France	−0.03	+1.09	+23.38	+22.45	+21.03	+9.05
Germany	−0.55	−3.16	+10.67	+9.74	+8.67	−2.16
Ireland	−1.33	+0.19	+23.48	+20.77	+20.11	+8.14
Italy	−2.13	−3.22	−6.05	+2.56	+2.46	−7.75
Netherlands	−0.82	−2.35	+15.81	+17.04	+15.96	+4.40
Norway	+0.29	−4.92	−11.41	+9.21	+8.40	−2.41
Spain	−0.98	+1.40	+29.87	+23.76	+23.62	+11.30
Sweden	−3.78	−5.45	+21.30	+28.27	+30.78	+17.74
Switzerland	−1.48	−3.85	+20.55	+20.40	+16.83	+5.18
UK	−0.14	−1.49	+30.30	+21.64	+21.64	+9.51
EUROPE	−0.61	−1.73	+20.82	+17.87	+17.20	+5.50
Australia	−0.56	+1.08	+15.24	+23.30	+41.16	+27.07
Hong Kong	+0.62	−1.88	+44.48	+33.34	+49.10	+34.22
Japan	+2.35	+5.30	+17.10	+6.55	+20.32	+8.31
Malaysia	+1.30	−3.96	+8.96	−4.30	+4.69	−5.75
New Zealand	+3.60	+2.03	−8.74	+11.55	+19.83	+7.86
Singapore	−0.49	−4.02	+22.41	+16.02	+32.77	+19.53
Canada	−0.79	−4.17	+4.03	+1.58	+15.42	+3.91
USA	−0.48	−2.32	+29.31	+17.86	+30.89	+17.66
Mexico	−1.10	−1.38	+156.25	+111.62	+126.92	+104.29
South Africa	−3.41	−1.27	+15.29	+21.20	+49.31	+34.41
WORLD INDEX	+0.36	+0.17	+22.43	+14.04	+23.92	+11.56

† Based on September 27th 1991. Copyright, The Financial Times Limited, Goldman, Sachs & Co.,and County NatWest Securities

By Jacqueline Moore

JAPAN AGAIN supported the world's equity markets last week. While Europe and the US were flagging, hopes of lower interest rates and a strong domestic bond market helped Japan to put on a robust performance.

The overall World Index added 0.4 per cent on the week in local currency terms, according to the FT-Actuaries World Indices. Excluding Japan, however, the World index was down 0.6 per cent.

The positive reassessment of Japanese equities continues, with Goldman Sachs International one of the latest to raise its weighting. "Since Japanese interest rates are probably headed downwards because of declining inflation and growth, and because the market has been underperformed, we are now inclined significantly to increase our weighting in Japan, although it still remains modestly underweighted in a global portfolio," it says in its October strategy document.

Last week was a poor one for Europe, however. The Nordic region provided the week's only continental winner, in Norway, but it also fielded the two worst performers: Finland and Sweden.

"There is not really a market in Finland at the moment; volumes are very small," says Mr Peter Bradshaw of Robert Fleming. The Finnish bourse has been the world's worst this year, according to the FT-A indices – in local currency, sterling and in dollar terms.

Mr Bradshaw warns that the forthcoming eight-month corporate results will be worse than expected, especially in the forestry sector. "In the next two to three weeks, during the results, it will be pretty tough for the market," he says. He also points out that the current labour market talks, which are due to end this Friday after being postponed for the past two weeks, are bringing uncertainty to the market.

Moreover, interest rates are high, with an overnight rate of 22 per cent and one-month money rates of 15.9 per cent. "Why should you invest in equities with rates like these?" asks Mr Bradshaw.

However, he believes that this will be the worst four-month period for Finland. Results could pick up next year, and the market could begin to turn.

Sweden also suffered from uncertainty, as investors awaited news on the formation of a new government. However, Mr Bradshaw stresses that Sweden's recent weakness should be set against the bourse's pre-election rise. It remains the third best market this year in local currency, after Mexico and Hong Kong, and is one of the top six in sterling and dollar terms.

South Africa was another of the world's weak spots last week. The strong financial rand – the investment instrument used by foreigners – discouraged investors from buying currency-sensitive industrial stocks, while falling bullion prices towards the end of the week undermined the gold sector.

The best performance was by New Zealand, which shrugged off its recent disappointment with company results and chose to be encouraged by a falling domestic dollar and lower interest rates.

ASIA PACIFIC

Nikkei closes lower for first time in five days

Tokyo

EQUITIES closed lower for the first time in five trading days yesterday, as domestic investors remained on the sidelines, *writes Emiko Terazono in Tokyo.*

The Nikkei average ended 53.03 down at 23,916.44, after trading in a narrow range between a high of 24,045.90 and a low of 23,862.41. The failure of the Nikkei once again to close above the 24,000 mark prompted traders to say that 24,000 had become a psychological resistance line. Domestic institutions were seen selling around this level.

Volume fell to 280m shares from 500m, with foreigners the only prominent buyers; most Japanese companies closed their books for the first half of the business year yesterday.

Declines led advances by 501 to 467, with 172 issues unchanged. The Topix index of all first section stocks, however, gained 3.10 to 1,833.20. In London the ISE/Nikkei 50 index eased just 0.70 to 1,394.76.

The reshuffle of Nikkei index component stocks takes place today. The companies that are being incorporated into the 225-issue average were among the most active stocks yesterday, showing marked gains. Ms Caroline Stone at Barclays de Zoete Wedd said profit-taking in the stocks could undermine the level of the Nikkei average in the near future.

One of these stocks, Topy Industries, forged ahead Y41 to a year's high of Y740 in heavy activity. Other stocks to be incorporated into the index rose on light buying by investment trusts and arbitrageurs, with Kumagai Gumi adding Y27 at Y863 and Sumitomo Heavy Industries Y15 at Y800.

Fanuc, the numerical control equipment maker, initially declined on reports that pre-tax profits for the current year could fall 14 per cent to Y60bn, but managed to close unchanged on balance at Y4,450.

Sansui Electric, the electrical company controlled by Polly Peck International, closed bid only at Y452, up Y50, on reports of Canadian and Hong Kong corporate interest in acquiring 33 per cent of the company. Traders said the issue was popular among investors looking for quick profits.

The Aids treatment theme continued to attract investors. Unitika, the synthetic fibre maker, gained Y12 to Y594 on reports that the company had filed a patent application for its anti-Aids drug. On the other hand, issues that had been popular on the cancer drug theme lost ground, Meiji Seika falling Y20 to Y1,290.

In Osaka, the OSE average put on 7.76 to 26,361.13 in volume of 17.4m shares, well down from Friday's 40m. Ono Pharmaceutical moved up Y10 to Y4,570 on reports that the company's drug, which treats diabetic nervous disorders, had passed the first phase of screening by the Ministry of Health and Welfare.

Roundup

THE PACIFIC Rim put on another mixed performance yesterday.

NEW ZEALAND was lifted by a jump in Telecom, which climbed 7 cents to NZ$2.67 in heavy trading of 2m shares. The NZSE-40 index closed 16.11 or 1.1 per cent higher at 1,465.05 in turnover of NZ$16.2m, against NZ$24.3m.

AUSTRALIA was dominated by transactions linked to the closure of the September share price futures contract. The All Ordinaries index firmed 3.5 to 1,562.3 in turnover of A$182m, down from A$320m.

Oil and gas producer Santos fell 9 cents to A$3.13 on reporting a 21 per cent drop in operating profits post tax in the fiscal first half. The market had expected a profit of between A$50m and A$60m.

HONG KONG reached its best level in more than two weeks, on expectations of strong earnings reports this week from the property sector. The Hang Seng index moved ahead 17.57 to 3,856.69, while turnover increased to HK$1.12bn from HK$1.09bn.

MANILA was dragged down by profit-taking after last week's gains. The composite index retreated 25.01 or 2.6 per cent to 934.32 in turnover of 107.6m pesos, compared with a previous 60.9m. Philippine Long Distance Telephone lost 15 pesos to 527.50.

TAIWAN was led higher by blue chips. The weighted index came off the day's high of 4,914.85 to close 15.63 up at 4,867.13, in turnover of T$19.51bn after T$18.96bn.

SINGAPORE's Straits Times Industrial index ended 12.48 down at 1,360.63.

Volume expanded to 53.7m shares from 39.4m, bloated by dealing in 21.2m shares of Singapore Automotive Engineering, a new issue, which closed at S$1.89 – a 69-cent premium over the subscription price.

In KUALA LUMPUR, the composite index was 8.01 down at 522.69 in volume of 22.6m shares, after 33.5m.

SEOUL was encouraged by signs that the financial difficulties of small-capital companies were easing. The composite index finished at 705.07, up 13.33, in turnover of Won366.7bn, after Saturday's half-day Won192bn.

BANGKOK's SET index lost 14.72 to 679.73 in turnover of Bt2.5bn. Investors were discouraged by third-quarter performance reports from finance companies. JAKARTA stayed weak. The index shed 1.1 to 249.19 in volume of 3m shares.

BOMBAY was led higher by fertiliser shares on hopes that fertiliser subsidies might be restored, after being cut in the July budget. The BSE index hit a high of 1,916.77 before ending at 1,885.28, up 15.24.

EUROPE

Continent starts the week in calm mood

BOURSES WERE becalmed yesterday, as corporate results continued to influence individual share price movements, *writes Our Markets Staff.*

FRANKFURT ended lower again after an early improvement, the DAX index closing 1.11 down at 1,607.03 after a 1.09 rise to 665.16 in the FAZ at midsession.

Mr Jens Wiecking, of Merck Finck in Düsseldorf, noted that this was the fourth day in succession that dealers and jobbers had tried to push the market up, and failed.

Cyclicals and exporters were affected by the lower dollar, Porsche dropping DM23 to DM657. The corollary, said Mr Wiecking, was gentle relative strength in more domestic and interest rate-sensitive companies such as department stores, utilities and banks.

Some special situations rose in low volume. Linotype, bombed out following its acquisition of Rudolph Hell from Siemens last year, put on DM16 to DM537 ahead of a meeting with German analysts today.

BRUSSELS saw depression in steels as the Bel20 index rose 2.00 to 1,088.55, supported by general strength in utilities.

Reports of a loss at Clabecq, the steelmaker, left it a further BFr5 lower at BFr1,995 following a BFr250 loss on Friday.

Meanwhile, the Luxembourg-based Arbed fell BFr210, or 4.7 per cent, to BFr4,220, on expectations of sharply lower first-half earnings tomorrow; and Cockerill, which announced a drop in profits earlier this month, closed BFr4 lower at BFr159.

Wagons Lits, the travel group, rose sharply, picking up BFr180 or 2.7 per cent to end at BFr6,910.

MILAN was quiet as investors stayed on the sidelines ahead of the government's formal presentation of the 1992 budget. The Comit index eased 0.33 to 539.06 in volume estimated at near Friday's L72bn.

Benetton, the knitwear and casual clothes manufacturer, added L11 to L8,971. After the close, the company produced better-than-expected interim results, with consolidated net profit up by 21.3 per cent and consolidated sales up by 10.3 per cent.

Olivetti, the computer maker, rose L20 to L2,920 in spite of announcing a big loss at the half-way stage last Friday.

PARIS finished little changed in quiet trading. Investors were discouraged by the weak opening on Wall Street, and the belief that there is no room for an interest rate cut in the near future. The CAC 40 index slipped 3.21 to 1,880.59 in turnover of more than FFr3bn, swelled by the expiry of index futures and options contracts late in the session.

Among the day's few big movers, Sommer Allibert, the manufacturer of floor coverings and plastic components, fell FFr59 or 3.2 per cent to FFr1,496, after announcing a decline in first-half earnings.

Ciments Français, the cement group which has been weak since announcing first-half results, recouped FFr8 to FFr295.50.

STOCKHOLM snapped an eight-day losing streak. The Affärsvärlden General index rose 5.3 to 1,035.3 in turnover of SKr333m, down from SKr550m.

Astra free B shares closed SKr5 down at SKr525 in spite of news that the US Food and Drug Administration had approved its anti-virus drug, Foscavir, for use in America.

OSLO dipped in thin trading as Den Norske Bank plunged to a record low on renewed worries about lending losses. The all-share index fell 2.92 to 492.22 in turnover worth NKr129m.

DnB, Norway's biggest bank, led the fall as its A shares tumbled NKr7.5 to NKr31. The shares traded at NKr167 when the bank was formed in a merger in April 1990.

MADRID moved lower in cautious trading. At the close, the general index was down 0.15 at 274.40, after standing 1.54 lower at the end of pit trading. Turnover was similar to Friday's Pta10.4bn.

Cepsa was requoted after being suspended on Monday last week for news of the bid by Elf Aquitaine of France for 13.5 per cent of the Spanish oil group. Yesterday the shares slipped Pta5 to Pta2,270 with 413,474 exchanged.

Telefónica gained Pta20 or 1.8 per cent to Pta1,135 in volume of 1m shares.

ZURICH reported US buying interest in CS Holding and Brown Boveri, but the upward momentum was wiped out by a shaky start on Wall Street. The Crédit Suisse index finished 1.5 lower at 512.9.

Once again, insurers rose against the general trend, Swiss Re closing SFr60 higher at SFr2,580 and Winterthur SFr70 better at SFr3,550.

AMSTERDAM closed lower in an uneventful session. The CBS tendency index ended 0.6 lower at 89.7.

ISTANBUL rose on expectations of measures – denied by the government – to support the market before the general elections on October 20. The 75-share index gained 50.31 or 1.7 per cent to 2,937.64.

ATHENS was in retreat, as the general index lost 20.13 or 2.3 per cent to 841.83.

FT-SE Eurotrack 100 - Sep 30

Hourly changes

Open	11 am	Noon	1 pm	2 pm	3 pm	4 pm	Close
1103.32	1103.32	1102.93	1102.24	1102.10	1102.25	1099.78	1100.47

Day's High 1103.46 Day's Low 1099.70

Sep 27	Sep 26	Sep 25	Sep 24	Sep 23
1104.16	1103.42	1108.34	1110.65	1111.18

Base value 1000 (26/10/90).

SOUTH AFRICA

GOLD SHARES enjoyed a late spurt of month-end buying, prompted by a strong recovery in world bullion prices. The all-gold index rose 36 to 1,133 while the industrial index added 1 to 3,974. The overall share index rose 19 to 3,297.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY SEPTEMBER 27 1991								THURSDAY SEPTEMBER 26 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (69)	150.01	−0.6	128.01	126.55	130.80	125.52	−0.7	4.83	150.99	129.17	127.42	132.08	126.39	151.89	112.74	135.30
Austria (20)	180.33	−0.7	153.87	152.12	157.22	158.04	−0.2	1.79	181.53	155.30	153.19	158.79	158.33	222.37	154.82	179.74
Belgium (47)	126.98	−0.4	108.35	107.11	110.71	108.51	−0.3	5.46	127.53	109.11	107.61	111.56	108.82	151.20	118.04	127.86
Canada (114)	135.12	+0.0	115.29	113.97	117.79	111.00	+0.0	3.42	135.09	115.57	113.99	118.18	111.03	142.27	126.49	127.51
Denmark (37)	253.79	−0.1	216.56	214.09	221.27	223.85	+0.0	1.57	254.14	217.42	214.47	222.30	223.90	270.56	217.74	234.84
Finland (16)	84.92	−3.3	72.46	71.64	74.04	73.24	−3.2	3.29	87.80	75.11	74.10	76.80	75.65	125.15	84.92	103.87
France (109)	143.67	+0.6	122.59	121.18	125.25	128.74	+0.3	3.45	142.75	122.12	120.45	124.85	128.36	152.28	119.11	126.17
Germany (65)	109.48	−0.3	93.41	92.36	95.45	95.45	−0.7	2.35	109.85	93.97	92.71	96.06	96.06	125.35	94.15	101.38
Hong Kong (55)	163.49	+0.2	139.51	137.91	142.55	162.63	+0.2	4.36	163.14	139.57	137.67	142.71	162.23	169.98	119.62	112.82
Ireland (18)	160.54	+0.4	136.98	135.42	139.97	142.13	+0.3	3.52	159.86	136.76	134.90	139.83	141.76	182.46	132.88	139.61
Italy (77)	72.24	+0.5	61.64	60.94	62.98	67.66	+0.1	3.43	71.91	61.52	60.68	62.90	67.56	88.23	64.76	81.42
Japan (474)	135.14	−0.2	115.31	113.99	117.83	113.99	−0.2	0.74	135.34	115.79	114.21	118.40	114.21	146.97	118.23	108.36
Malaysia (68)	199.94	+0.7	170.61	168.66	174.32	211.77	+0.8	2.82	198.61	169.91	167.60	173.72	210.08	247.78	189.18	182.96
Mexico (16)	1193.96	+0.3	1018.80	1007.18	1040.98	3993.28	+0.3	1.32	1190.04	1018.09	1004.25	1040.97	3980.18	1226.36	534.45	481.19
Netherland (31)	139.87	+0.4	119.35	117.99	121.95	120.69	+0.2	4.47	139.24	119.12	117.50	121.80	120.47	145.73	125.70	127.56
New Zealand (14)	46.82	+1.6	39.95	39.50	40.82	43.74	+0.9	6.96	46.07	39.42	38.88	40.30	43.35	54.64	41.18	56.11
Norway (31)	199.35	−0.3	170.10	168.16	173.81	178.04	+0.1	1.58	199.85	170.97	168.65	174.82	177.95	223.24	178.58	243.61
Singapore (38)	190.37	+0.2	162.44	160.59	165.98	148.61	+0.3	2.40	190.05	162.59	160.38	166.24	148.14	208.25	151.63	147.24
South Africa (61)	245.82	−1.1	209.76	207.36	214.32	165.08	−1.7	3.35	248.64	212.72	209.82	217.49	168.01	258.85	173.00	166.28
Spain (53)	156.17	−0.8	133.25	131.74	136.15	125.70	−0.9	4.31	157.50	134.74	132.91	137.77	126.84	171.12	131.51	128.54
Sweden (25)	187.74	−1.7	160.19	158.37	163.69	170.30	−1.5	2.82	191.01	163.41	161.19	167.09	172.84	204.12	146.60	158.07
Switzerland (56)	93.54	+0.7	79.82	78.91	81.57	84.64	+0.3	2.28	92.88	79.46	78.38	81.25	84.35	100.67	82.17	85.00
United Kingdom (240)	181.43	+0.3	154.81	153.03	158.17	154.81	+0.1	4.79	180.85	154.72	152.60	158.18	154.72	187.44	156.27	148.78
USA (526)	156.65	−0.2	133.64	132.32	136.76	156.65	−0.2	3.10	157.14	134.43	132.61	137.46	157.14	161.02	125.95	123.35
Europe (827)	141.93	+0.2	121.11	119.73	123.76	123.02	−0.1	3.90	141.87	121.20	119.58	123.93	123.10	151.52	125.50	124.91
Nordic (109)	184.86	−0.9	157.73	155.94	161.17	159.00	−0.7	2.04	186.50	159.55	157.38	163.13	160.11	200.81	155.55	172.38
Pacific Basin (718)	135.87	−0.1	115.93	114.61	118.46	115.30	−0.2	1.08	136.06	116.40	114.82	119.02	115.50	145.92	117.86	109.42
Euro – Pacific (1545)	138.61	+0.0	118.28	116.92	120.84	119.17	−0.1	2.23	138.63	118.60	116.98	121.25	119.32	147.66	121.29	116.03
North America (640)	155.44	−0.2	132.63	131.14	135.54	153.74	−0.2	3.12	155.71	133.21	131.41	136.23	154.01	159.66	125.91	123.52
Europe Ex. UK (587)	118.59	+0.1	101.19	100.06	103.41	104.82	−0.2	3.21	118.50	101.38	100.02	103.68	104.99	129.80	103.58	109.94
Pacific Ex. Japan (244)	143.02	+0.0	122.03	120.66	124.70	126.08	−0.1	4.34	143.07	122.40	120.75	125.16	126.15	147.60	111.40	121.14
World Ex. US (1736)	140.26	+0.0	119.68	118.32	122.29	120.28	−0.2	2.28	140.30	120.03	118.40	122.73	120.48	148.16	122.32	117.12
World Ex. UK (2022)	141.32	−0.1	120.59	119.22	123.23	129.43	−0.2	2.32	141.51	121.06	119.43	123.80	129.68	145.77	120.06	115.37
World Ex. So. Af. (2201)	144.14	−0.1	123.00	121.60	125.69	131.54	−0.1	2.57	144.25	123.41	121.74	126.19	131.74	148.68	122.92	118.04
World Ex. Japan (1788)	151.31	−0.1	129.11	127.65	131.94	141.51	−0.2	3.45	151.39	129.52	127.77	132.45	141.74	152.83	126.69	124.69
The World Index (2262)	144.81	−0.1	123.56	122.16	126.26	131.82	−0.2	2.58	144.93	123.99	122.31	126.78	132.04	149.01	123.28	118.33

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Latest prices were unavailable for this edition.

JF Philippine Fund Inc.
(Incorporated in the Cayman Islands)
ANNUAL RESULTS TO 30TH JUNE 1991

• Net assets as at 30/6/91 US$62.6m
• Performance in US$ from 1st July 1990 to 30th June 1991
NAV Per Share -5.8%
Manila Composite Index +0.5%

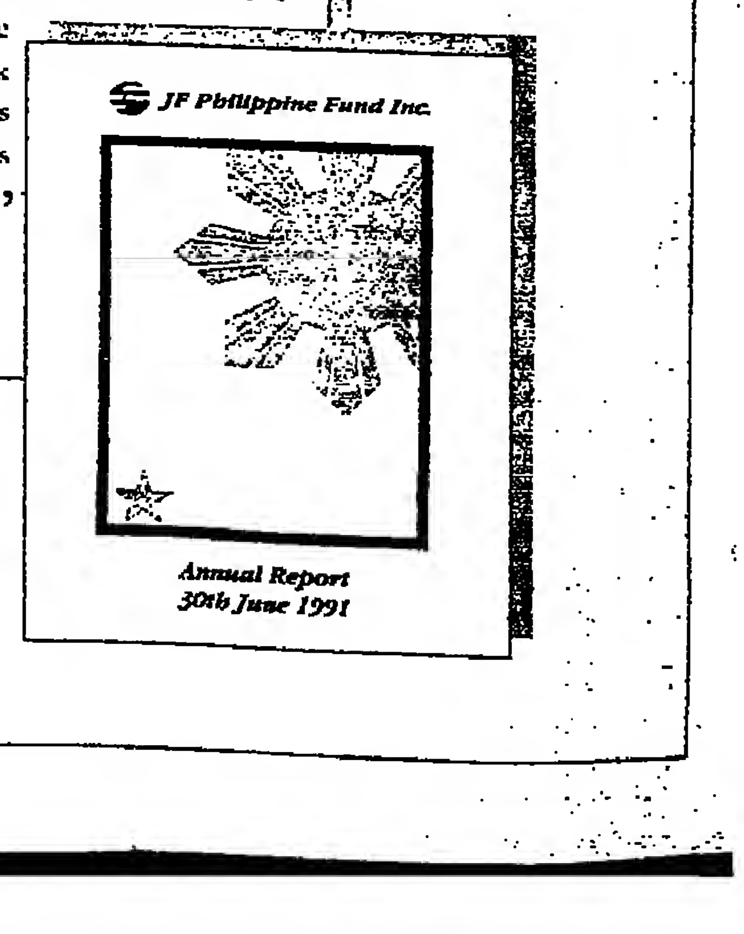
Chairman's Statement

"I am pleased to announce that, after a very difficult interim period, more favourable conditions during the second half-year have enabled your Fund to recoup much of the decline suffered during the first six months of the financial year. The discount of the Fund's share price to net asset value remains large but efforts are continuing to introduce measures which may help to narrow the gap.

The primary issue market has been revived by the buoyant stockmarket environment. More companies have been listed recently but it is disappointing to note that none of them are trading above their public offer price.

Although it has generally been a tough and unfortunate year, with the country being hit by another natural disaster, the economy has demonstrated its resilience in overcoming previous setbacks and I believe it will continue to cope well in the future. The strong rebound in stock prices during the past six months is a good reminder of the opportunities available to the dedicated investor."

A.H. Smith
Chairman
11th September 1991



For a copy of the Annual Report please contact either Jardine Fleming 47th Floor, Jardine House, One Connaught Place, Hong Kong. Attn: D.R.Howard. Tel: (852) 843 8888 Fax: (852) 845 2709 or Fleming Investment Trust Management Ltd (Member of IMRO) 25 Copthall Avenue, London EC2R 7DR. Tel: (071) 638 5858 Fax: (071) 256 0817

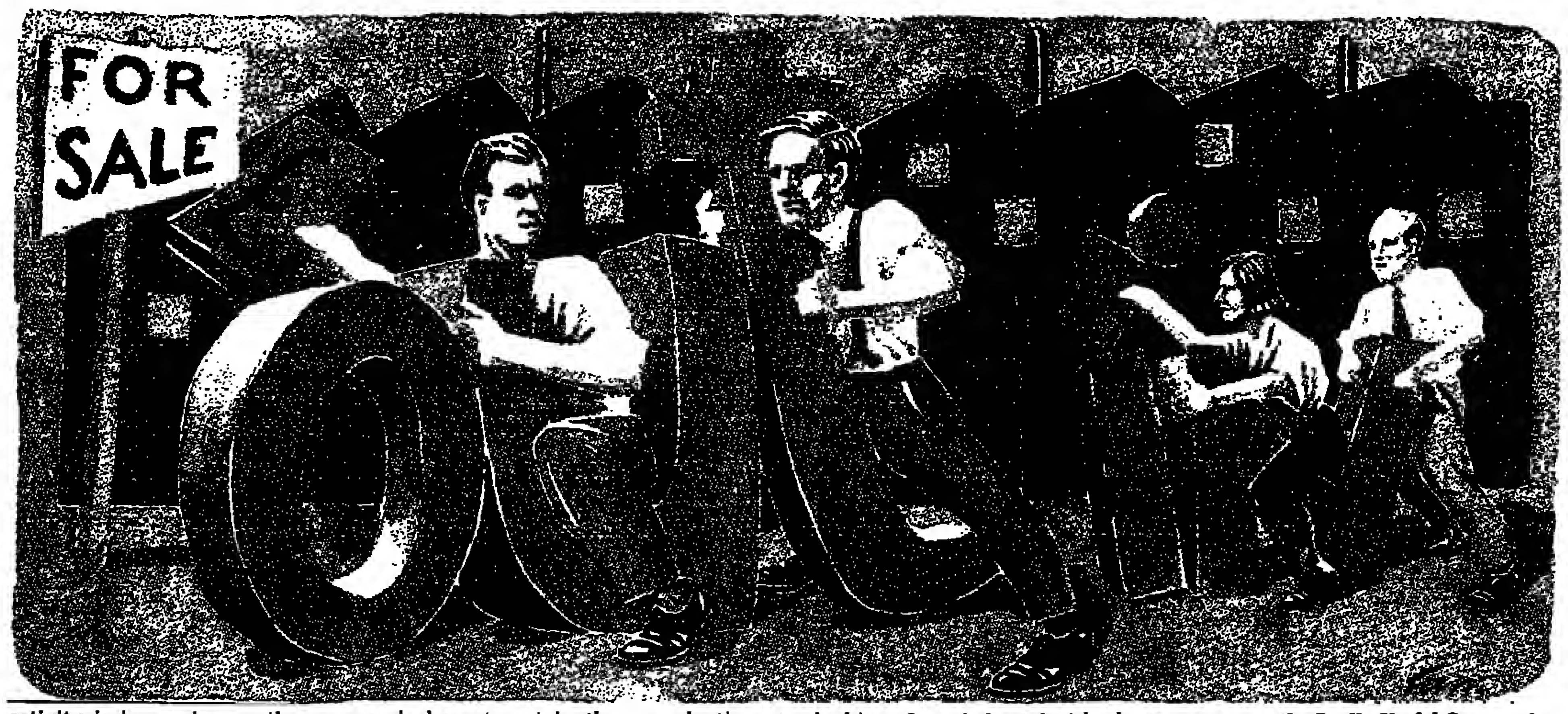
FINANCIAL TIMES SURVEY

MANAGEMENT BUY-OUTS

SECTION III

Tuesday October 1 1991

Optimists might take heart from a modest recovery in the number of large deals in recent months, writes **Charles Batchelor.** However, high interest rates and caution on the part of the banks continue to dog the industry



Industry back to basics

THE student of management buy-outs who fell asleep in 1981 and woke up today could be forgiven for thinking nothing had changed in the intervening decade. A recession is still fuelling the buy-out industry, while the typical vendor is a cash-strapped company disposing of non-core businesses. Most deals are once again modest in size, while the financing is arranged with all due bankerly caution.

The billion pound buy-ins and attempted buy-ins of public companies, the vertiginous gearing levels, and the carefree scramble for almost any deal which marked the late 1980s would have all passed the newly-awakened sleeper by. The buy-out industry has gone back to basics.

"Three years ago you would have done a financial model for a deal and then asked: what does the business actually do?" says Mr Geoff Westmore of accountants Coopers & Lybrand Deloitte.

"In the past we might have left some of the detail to the deal leader, but now we take a great interest in the sale and purchase agreement, in the warranties and in any contingent liabilities," comments Mr Anton Fawcett, in charge of management buy-out finance at Barclays Bank.

Just how careful the industry has become is illustrated by the criteria cited by Mr Ron Hollidge, managing director of Lloyds Development Capital, for doing a deal: he lists respectable asset backing, low gearing, conservative forecasts and seasoned managers, preferably with experience of a previous recession.

Rocketing interest rates, a slump in consumer demand and the well-publicised difficulties of large buy-outs such as MFI and Magnet have led to a sharp drop in the number and size of buy-outs in the past two years. Activity fell to a five-year low in the first quarter of 1991, although there have recently been signs of a recovery.

Twenty large buy-outs (valued at more than £10m each) were completed in the first half of 1991, compared with 30 in the same 1990 period, according to accountants KPMG Peat Marwick McLintock. The value of all deals, including an estimate for those smaller than £10m, fell to £1bn this year from £1.61bn in the first half of last year.

Britain remains the leading buy-out market in Europe, but activity is increasing on the continent. A total of 411 buy-outs were completed in continental Europe in 1990, compared with 374 in 1989, according to the Centre for Management Buy-Out Research at Nottingham University. The most active continental markets were France, with 150 deals (130 in 1989), Sweden with 40 (32), and Germany with 36 (25). But Britain still accounted for more than half of all MBOs in Europe, with 572 deals completed (517 in 1989).

The UK market is now more than ever dominated by smaller deals, most of them worth less than £10m. Only four deals worth more than £100m have been completed in the past eight months, and the largest of these, Field Packaging, was valued at £121m. This is in sharp contrast to the late 1980s when each year set a new record for the size of deal; from MFI valued at £718m in 1987, through Reedpack worth £805m in 1988, to Gateway at £2.37bn in 1989.

The most common source of deals is once again the large company attempting to raise cash by disposing of a non-essential activities. But family-owned companies, where the owner is keen to retain the character of the business rather than sell to a trade buyer, are also often sold by means of a buy-out, according to Richard Hargreaves, managing director of Baronsmead, a venture capital company.

The depth of the recession has meant managers often end up buying their company from the receiver. Frequently the business being bought out is a healthy part of a larger, failed group. The receiver may be willing to do a deal at a very favourable price to achieve a quick sale. On the down side, there are problems in buying from a receiver. There is often little time to carry out the normal checks on the state of the company's finances, for example, and the receiver will not give the warranties the purchasers would normally expect, says Mr Frank Neale of Phildrew Ventures.

Nor can the purchaser expect the usual "lock-out" period of other bidders while he carries out his checks. If a better offer is made, the receiver is bound to accept.

Fortunately for the buy-out teams, many large companies are too bound up with solving their own difficulties to devote much time to looking for acquisitions. This means managers frequently have the field to themselves.

If the traditional buy-out is popular once again, the buy-in, rated until recently by many deal makers as providing a profitable new avenue of diversification, has fallen out of favour. Many buy-ins have not performed as well as expected, either by comparison with their own forecasts or with comparable management buy-outs.

The deal-makers have been aware from the outset that buy-ins were more difficult than buy-outs because the incoming managers were not familiar with the company's problems in the same way as incumbent managers. However the degree of difficulty was underestimated.

Private companies, in particular, frequently have unsophisticated financial control systems, and the new managers often discover "skeletons in the cupboard", according to a study by the Centre for Management Buy-Out Research. Buy-in managers often come from large companies and are unfamiliar with the management style required for a small, independent business.

Few people in the industry believe there will ever be a return to the large-scale deals of the late 1980s. The number of UK companies with large subsidiaries or divisions suitable for sale by means of a buy-out is limited, calculates Mr Robin Hall, managing director of CIN Ventures.

Listed company buy-outs, too, seem unlikely to stage a comeback. The managers of small listed companies may be able to argue that the public market has not been able to provide them with an opportunity to raise finance. But larger companies have usually been able to raise funds through rights issues and are unlikely to be able to persuade their institutional shareholders that they would be better off by going private.

Some buy-out specialists believe the only public-to-private deals to be done will be by companies where one shareholder, often the founder, still owns a majority stake. The proposed buy-out of Caparo Industries, in which Swraj Paul, the chairman, already controlled 80 per cent of the shares, is in the tradition of earlier buy-outs at Virgin and the Really Useful Group, where the founding entrepreneur bought out the outside shareholders.

For the venture capitalist used to dealing with unquoted companies, there are a number of disadvantages involved in listed groups, explains Mr Neale. Listed companies are expensive because the purchaser must pay a premium to gain control while the volume of financial information available is restricted compared with unlisted company deals.

As an alternative to taking listed groups private, a number of venture capitalists have begun providing unlisted convertible preference shares to listed groups which may not be able to raise funds by means of a conventional rights issue. Pepe Group, a listed jeans company, raised £10m of preference equity in July from a syndicate headed by County NatWest Ventures.

The management buy-out market may be going through a difficult period, but its long-term future is assured, most players believe. The financiers are taking a more cautious attitude, but there is no shortage of either equity or

■ Turn to page 4

IN THIS SURVEY

ESTIMATE OF TOTAL UK MBOs

	No	Value (£m)	Av size (£m)
1980	100	40	0.4
1981	180	130	0.7
1982	200	550	2.8
1983	220	240	1.1
1984	200	270	1.4
1985	250	1,070	4.3
1986	300	1,300	4.3
1987	350	3,230	9.2
1988	400	5,070	12.7
1989	450	6,450	14.3
1990	500	2,830	5.7
1991 (to date)	250	1,280	5.1
	3,400	22,480	6.6

Source: KPMG Corporate Finance

Editorial Production: Heather Parker and Sarah Murray
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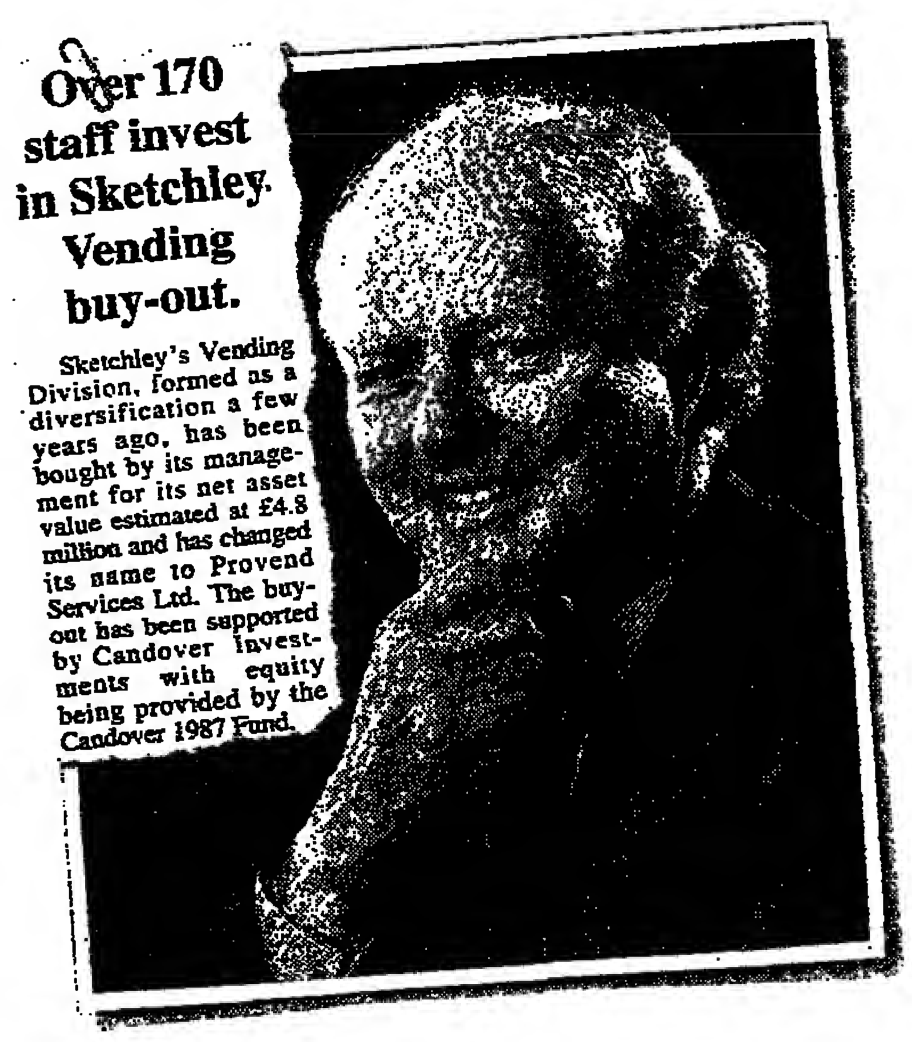

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The current economic climate is creating exciting opportunities for buy-outs and buy-ins. We are continually discussing potential opportunities with companies, managers and advisers. If you think you could be next, contact Roger Brooke or Stephen Curran on 071-489 9848.

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Charles Batchelor demystifies the IRR, junior debt, the living dead and lemons and plums

From bimbos to venture capitalists: a glossary

THE management buy-out industry combines the skills of the corporate financier and the venture capitalist and has borrowed its technical terms from both sectors.

Some of the more colourful vocabulary imported from the US by the venture capital community has gone as the industry has matured, but the manager contemplating his or her first buy-out may still be confused by some of the jargon.

Bimbo
A snappy term to describe a deal involving both existing and outside managers: a buy-in/management buy-out or bimbo.

About half of all deals take this form.

Bought deal
Term used when a deal maker provides all of the finance needed for a buy-out deal and then sells on or syndicates part of the funding to other investors at a later stage.

Bought deals are often used by the larger providers of finance when speed or confidentiality are particularly important.

Business plan
The document put together by managers to justify their application to financiers for backing. Should contain summaries of past and projected profit and loss accounts, balance sheets and cash flows.

Also details of products and services, markets, future strategy and profiles of the managers.

A warning, however: don't get too carried away. Most financiers will not go beyond the two-page executive summary.

Caps, collars and cylinders
Clauses in buy-out deals which limit the extent to which the interest rate charged on borrowed funds can rise or fall. Many of the buy-outs which have survived the recession undoubtedly owe their existence to such clauses.

Agreements usually have a limited life of one or two years. The longer the period of cover the more expensive this form of interest rate insurance is.

Carried interest
A stake taken in the investee company by the venture capital or buy-out fund managers. Carried interest can be in the form of options.

Deal flow
The rate at which investment propositions come to the deal-maker or financier. Most claim to accept only a very small percentage of deals put to them, although deal flow numbers are treated by some as a virility symbol.

Development capital
Later stage finance for more established companies which are profitable or nearly profitable. Less risky generally than early stage finance.

The development capital groups have been the most enthusiastic funders of buy-outs.

Due diligence
Detailed analysis and appraisal of the business and the entrepreneur.

Earn-out
Describes either a formula for relating the final purchase price of a company to actual future earnings or a means of encouraging management to perform by payment on the basis of their future performance (see also **Ratchet**).

Employee buy-out
A deal involving not just the top management but also all or a large number of the more junior employees of the organisation.

The difficulty of involving large numbers of employees without disclosing a deal prematurely has meant that relatively few of these deals have been done.

Some managers get round this by staging a buy-out and then involve other staff at a later stage.

Equity kicker
An option to acquire equity often granted to the provider of mezzanine finance (qv) or loan notes to compensate for the higher risk involved in this type of funding.

Exit
The point at which the financier sells his holding in the buy-out company, either through a trade sale to a larger company, by the management buying out the other investors to assume complete control, or by a stock market flotation.

It is essential that the managers and the financial backers agree from the beginning on the exit strategy.

Gearing or leverage
This is the ratio of debt to equity in a company's capital structure. Intermediate forms of finance such as redeemable preference shares and convertible loans can complicate the calculations and mean a variety of different ratios may be applied to the same company.

Check how these intermediate forms of capital are being treated when a gearing ratio is quoted.

Hands on/hands off
The degree to which an investor in a buy-out becomes involved in its management. A hands-on investor would normally nominate a non-executive director to the board and might commit some of its other executives to help out if the company ran into difficulties. Hands-off investors would have very little active involvement.

Internal rate of return
Different investors work this out in different ways but the term generally refers to the annual compound rate of return on an investment over a given period.

Returns normally include dividend distributions and profits from either disposals or a fair valuation of the buy-out company.

Junior debt
Loans which rank after secured or senior debt for repayment in the event of a default.

Junk bonds
High yielding, unsecured debt used in US buy-outs.

Since the debt is in the form of a bond certificate, it can be bought and sold more easily than the mezzanine loans (qv) used to finance UK buy-outs.

Lead investor
Venture capitalist or other deal-maker with the largest share in a syndicated investment. The lead investor usually initiates the deal and takes a hands-on role on behalf of the other partners.

The recent problems experienced by a number of buy-outs have exposed the weaknesses of some deal leaders. They have been shown to lack the skills needed to help out a business in trouble, while others have sold on all their initial investment and have no further interest in the business they backed.

Lemons and plums
Bad deals and good. Bad investments usually go wrong before the good ones produce a profit. Hence: the lemons ripen before the plums.

Leveraged buy-out
Similar to a management buy-out, though usually applied to US deals where the transaction will have been initiated by a financial group rather than by the management.

The name refers to the high level of borrowing or leverage which the company takes on, using the assets being purchased as security.

When British buy-outs seemed to be going the way of their US counterparts, with large, highly speculative deals being put together by City financiers, the term started to be applied to UK buy-outs. Nowadays the idea of leverage sends a shudder through equity providers and bankers alike.

Lock-out agreement
An agreement to give the buy-out team time to negotiate the purchase of their company free from pressure from other bidders.

Management buy-in
An offshoot of the management buy-out industry. The purchase of a business by one or more outside managers with the help of a group of financial backers.

The term was applied indiscriminately in the late 1980s to any bid involving a well-known City figure, on the grounds that buy-ins sounded more constructive than the hostile takeover they usually were. Buy-ins are now seen as being considerably riskier than buy-outs because they involve an outside management team which does not know the company as well. Many deals are neither pure buy-ins or buy-outs but Bimbos (qv).

Management buy-out
The purchase of a business by its existing management with the help of a group of financial backers.

The managers put up a relatively small amount of the total finance but usually gain a disproportionately large share of the equity.

Buy-outs are funded largely by loans secured on the assets of the company itself.

Mezzanine finance
Loans, usually unsecured, which rank after secured or senior debt but before equity in the event of a company failing.

To compensate for the greater risk, they typically carry interest one to three percentage points above secured loans and often carries an equity kicker (qv) to give the lender a stake in the equity.

Newco
The buy-out is usually carried out through a newly created company referred to as Newco.

Preferred ordinary shares
Refers to the ordinary shares taken up by outside investors in a buy-out. They rank ahead of the plain ordinary shares owned by the management in terms of dividends and the pay-out in the event of a winding up

Ratchet
An incentive arrangement whereby managers get a bigger share of the equity if the company performs well. Sometimes managers forfeit shares if they do particularly badly.

Senior debt
Secured debt which ranks first in terms of repayments in the event of a default. (See also junior debt)

Slippage
This is what happens when the buy-out company starts to eat up more cash than expected because development costs exceed budget or sales grow too slowly.

Syndicated investment
An investment which is too large or risky to be handled by one investor and which therefore needs to be shared among several partners.

Fewer deals are syndicated in present market conditions, while syndicates also involve fewer participants. This is partly because the smaller deals do not require so many players, but it also means that if trouble arises, fewer people have to be consulted on how to sort out the mess.

Vendor finance
Finance provided by the vendor in the form of either a deferred payment or alternatively a retained minority stake in the bought-out company, usually in the form of loan notes.

It allows the vendor to share in the profits of the company it has sold if it does very well. The vendor's management can then demonstrate to shareholders they did not sell too cheaply.

It also allows the vendor to boost the sale price, also thereby impressing its own shareholders.

Venture capitalist
Deal-maker who provides equity finance and advice to entrepreneurs starting a business from scratch or staging a buy-out.

LEADING MEZZANINE ARRANGERS

	Total no	Total value £m	Av value £m	No of investments
3i	26	237	9	35
County NatWest/Nat West	12	101	8	27
Bankers Trust	10	304	30	11
Barclays/BZW	8	77	10	16
Intermediate Capital	8	58	7	12
SocPac	7	50	7	9
Phildrew Ventures	7	23	3	7
Kleinwort Benson	5	35	7	9
Standard Chartered/CWB	4	439	110	5
PIC Capital	4	158	40	4
GE Capital	3	580	193	4
First Britannia	3	28	9	5
Samuel Montagu	3	21	7	4
Bank of Boston	3	15	5	7
Bank of Scotland	3	10	3	11
CIBC	3	5	2	5
Charterhouse	2	27	14	2
Elders Finance	2	22	11	2
Citicorp	2	15	8	3
Causeway Capital	2	10	5	2
Lloyds	1	40	40	4
Legal & General V/Mithras	1	5	5	8
Westpac	1	5	5	4
Creditanstalt	1	2	2	6
Prudential				4
Others	16	182	11	
None/unknown/(duplication)	(7)	(619)		
TOTAL	130	1,830	14	

Qualification: In £15 million plus deals, 2 deals arranged or 4 investments made. Percentages refer to deals in which mezzanine was used

Source: KPMG Corporate Finance

TABLES IN THIS SURVEY

WHILE OTHERS HAVE BEEN IN AND OUT OF MBI'S AND MBO'S, WE'VE ALWAYS BEEN IN.

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YOU'RE BETTER OFF TALKING TO BARCLAYS

Charles Batchelor looks at capital structure

Transactions require more equity in these times of caution

AT THE peak of the buy-out market in 1989, if extra finance was needed to make a deal possible, it would normally take the form of bank debt. If the numbers still did not add up, the deal could be made to fit by putting in a layer of mezzanine finance – high yielding, unsecured loans.

In the more sober 1990s the way to get deals done is to put in more equity, says Mr Geoff Westmore, a partner in accountants Coopers & Lybrand Deloitte. Increasing the amount of equity in a deal may reduce the return to investors, but it also lowers the risk.

The more cautious attitude which is now being adopted by the banks has seen the debt-to-equity ratio fall back to 1.2:1, according to figures compiled by KPMG Peat Marwick McLintock

In the late 1980s, buy-outs typically carried three times as much debt and mezzanine funding as they did equity. In 1989, if the £2.4bn buy-in of the Gateway supermarkets group is included, the debt-to-equity ratio soared to nearly 6:1.

The more cautious attitude which is now being adopted by the banks has seen the ratio fall back to 1.2:1, according to figures compiled by accountants KPMG Peat Marwick McLintock.

"The banks got ahead of themselves in the late 1980s," comments Mr Robin Hall, managing director of CIN Ventures, a provider of equity finance. "Transactions became overleveraged." When interest rates rose (though most deals "capped" the maximum rates of interest payable) and demand slumped, some of the most highly leveraged deals like MFI, Magnet and Lowndes Queensway had difficulties.

Despite this shift to more cautiously financed buy-outs, the deal-makers are still prepared to be flexible. The banks, for example, are prepared to let the equity providers set early redemption dates for any convertible preference shares they put into a deal. This allows the equity portion of a deal to be reduced, and returns increased, if the buy-out company does well.

Vendors have also shown themselves more ready to defer part of the sale price by providing loan notes. This helps bridge the gap which still exists between vendors' price expectations and the sums that management teams and their backers are prepared to pay. Not only does the vendor retain a stake in the company if it prospers, he can show his own shareholders that he obtained a more attractive price for the business.

The £82m buy-out of Anglian Windows from BET, the contract services group, last December, for example, included a £30m loan note from BET in the financing. The five-year notes will earn interest at 12 per cent depending on the buy-out team achieving its profits targets.

Vendor loan notes do have their drawbacks, however, warns Mr Anton Fawcett, in charge of management buy-out finance at Barclays Bank. If the buy-out company runs into difficulties, the involvement of the vendor could further complicate any restructuring attempt.

The increase in the amount of straight equity required to complete deals, and the growing role of vendor loan notes, have combined to squeeze the mezzanine layer. Mezzanine funds accounted for just 6 per cent of buy-out funding in the first eight months of 1991 compared with 17 per cent in the second half of 1989 and 11 per cent in the first half of 1990, Peat Marwick calculates.

But it is not only the relative roles of equity, mezzanine and loans which have changed as a result of the more sober mood in the buy-out market. The banks have also seized their opportunity to tighten up on the terms of their lending.

The banks have been able to increase their margins on buy-out lending from 1.5 per cent in 1989 to between 2 and 2.5 per cent, according to Mr Rupert Wiles, responsible for larger buy-outs at 3i, the largest UK venture capital company.

They have also raised the amount of interest cover required from 1.5 to 2.5 per cent. The idea is that if interest rates rise again, buy-out companies will still be able to cover the higher interest charges comfortably from profits. In addition, the banks have reduced from 10 to seven years the average term of loans, says Mr Wiles.

The banks are also boosting the level of up-front fees, notes Mr Frank Neale of Phildrew Ventures. Typical fee levels have risen to 1.5 per cent from 1 per cent previously, he reports. The banks have been able to negotiate these better terms for themselves partly because of a decline in the level of competition for buy-out business. The withdrawal of a number of foreign banks from this area has strengthened the hand of the mainly domestic banks which have remained.

One result of this decline in the number of loan providers has been a reduction in both the number of syndicated loans deals and in the number of partners in any syndicate. "The £1m players who would take up a small part of the underwriting have gone," says Mr Malcolm Cameron, head of buy-out finance at National Westminster Bank.

The decline in the average size of buy-outs has meant that the big banks can either keep all of the deal on their own books, or that they can syndicate to a selected number of trusted partners. A buy-out which two years ago would have involved a dozen banks, might now only have two or three participants.

"The equity players realise it is better to have a small number of banks, because a syndicate can only move as fast as its slowest member," Mr Fawcett explains.

Mr Michael Smith, managing director (Europe) at Citicorp Venture Capital, comments: "The syndicates have given way to banking clubs."

ANALYSIS OF GEARING OF UK MANAGEMENT BUY-OUTS OVER £10m by period

Period	Total funding	Equity	Mezz	Debt	Gearing	Mezz
	£m	£m	£m	£m	(E:M+D)	(% total)
4 years to						
12/84	860	370	-	490	1.3	-
12/88	9,070	2,540	710	5,820	2.6	8
6 months to						
6/89	1,700	420	160	1,120	3.0	9
12/89	4,150	600	710	2,840	5.9	17
6/90	1,260	300	140	820	3.2	11
12/90	850	270	60	520	2.1	7
1991(to date)	900	410	50	440	1.2	6
TOTAL	18,790	4,910	1,630	12,050	2.8	10

Percentages refer to deals in which mezzanine was used

Source: KPMG Corporate Finance

USE OF MEZZANINE ON UK MBOs OVER £10m

	MBOs using mezzanine			Total MBOs				
	No	Amount of mezz £m	Total value of deals £m	No	Total value of deals (£m)	% MBOs using mezz	% of deal covered by mezz	Av size of mezz layer (£m)
1981-84	-	-	-	25	860	-	-	-
1985	5	123	430	23	870	22	29	25
1986	7	98	380	27	940	26	25	14
1987	13	207	1,510	33	2,750	39	14	16
1988	26	280	1,870	55	4,510	47	15	11
1989	38	864	4,830	71	5,850	54	18	23
1990	33	208	1,140	61	2,110	54	18	6
1991*	8	52	340	26	900	321	15	7
TOTAL	130	1,830	10,500	321	18,790	40	17	14

* to date

Percentages refer to deals in which mezzanine was used

Source: KPMG Corporate Finance

Banks are now reluctant to finance listed buy-outs, writes **Charles Batchelor**

The sober '90s cast a long shadow

THE highly leveraged buy-outs and buy-ins of listed companies which marked the buy-out industry in the late 1980s have fallen dramatically out of favour in the more sober-minded 1990s.

Not only are the banks no longer willing to provide the finance for these speculative deals, but shareholder suspicion of the motives of managers has made such buy-outs more difficult to do. The venture capital companies which provide equity finance have also become disillusioned with the returns available from such deals.

Nottingham University's Centre for Management Buy-Out Research records 35 quoted company buy-outs in the UK since 1985, although they have also occurred in continental European countries with less well developed stock markets. In France, 22 such deals have been carried out, followed by Sweden with 17 and Denmark and the Netherlands with two each.

In continental Europe, and particularly in France, listed company buy-outs or buy-ins have been used as a way of solving issues of family succession. Very occasionally a buy-out has been used as a defence by existing management against a hostile bid from an outside investor. Haden, a UK engineering company, pioneered this technique to fight off a hostile bid from Trafalgar House in 1985.

But it was in 1989 that listed company buy-out activity peaked, with 12 deals being completed in the UK, including the £667m Magnet deal and the £2.37bn buy-out/buy-in of Gateway, the supermarkets group. An attempt to stage a £13.5bn buy-in – though in many respects this term was simply a cover for a hostile takeover bid – was made for BAT Industries by a group of investors headed by Sir James Goldsmith and known as the Hoylake consortium.

These large deals prompted unease on two scores. Where incumbent managers were staging the deal, as was the case with Magnet and in part the case with Gateway, institutional shareholders worried that they were misusing insider knowledge of the company to negotiate and price a deal in their own favour. How could managers make a success of the business if they took it private, but somehow prove unable to achieve the same results in public ownership?

The second source of unease was the high degree of borrowing required to finance these deals. Average gearing ratios were stretched beyond 6:1 by the Gateway deal, rendering the buy-out companies very vulnerable to a downturn.

These highly leveraged deals, driven, in the view of many, more by the deal-makers' desire to earn large fees than by underlying industrial logic, are unlikely ever to return, many people in the industry now feel. "I don't believe there will ever be a significant public-to-private market in this country," says Mr John Brown, deputy managing director of CIN Ventures.

These highly leveraged deals, driven – in the view of many buy-out participants – more by the deal-makers' desire to earn large fees than by underlying industrial logic, are unlikely ever to return

Small listed companies may be able to argue that neglect by the stock market and the stockbroking analysts means their shares are underrated. It is therefore difficult for them to raise shareholder enthusiasm for a rights issue. The solution may then be to take the company private again to allow it to concentrate on long-term growth.

But the larger company is in a better position to raise funds by means of a rights issue, and could not argue that it was essential to go private once again.

The only large companies which have been able to make a case for going private have been those dominated by a single large shareholder, often the company founder. Mr Andrew Lloyd Webber took his Really Useful Group private last year, while Mr Swraj Paul, chairman and 80 per cent shareholder in Caparo Industries, recently announced plans for a buy-out to take his company private.

The reluctance of traditional venture capital firms to back such deals is due in part to their inability to gain detailed information on performance and prospects. Used as they are to carrying out detailed investigations – "due diligence" – of the private companies they back, they are uneasy at relying on listed companies' published accounts. "It is difficult to do due diligence," says Mr Geoff Westmore of accountants Coopers & Lybrand Deloitte. "You don't know what you are buying."

Venture capitalists are also unused to paying the large goodwill premiums that listed companies command.

The banks for their part are cautious about backing public company buy-outs after running into problems in obtain security for their loans in the buy-outs of Magnet and British Syphon Industries. In the case of Magnet the bankers made the mistake of not securing their loans to the holding company on the assets of the trading company. At British Syphon the buy-out team failed to gain full control of the company and were forced to retain its market listing. Bankers Trust, which provided loan finance, was unable to obtain security on the company's underlying assets.

The bankers and the venture capitalists may distrust such deals, but the revival in recent weeks of takeover activity – with a hostile bid from BTR for Hawker Siddeley and an agreed bid from Hanson for Beazer – suggests that merger and acquisition activity, of which the larger public company buy-ins were essentially a part, is not dead. If the merchant bankers who put such deals together can see fees to be made, they will undoubtedly start promoting the idea once again.

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July 1991

Back to basics

■ Continued from page 1

loan finance for the well-structured deal.

The average annual rate of return to the institutions which provided equity capital to buy-outs was 54 per cent, Peat Marwick calculated recently.

Meanwhile, loans to back buy-outs typically earn 2 percentage points or more above base rate, compared with 0.45/0.5 per cent on a typical five-year loan to an A-rated corporate borrower, according to Mr Anton Fawcett, head of buy-out finance at Barclays Bank.

The deal-makers believe that buy-outs provide such an elegant solution to the problems associated with the disposal of unwanted businesses or of the arrangement of succession in a family company that they will continue to be a permanent feature of the corporate finance scene.

But the financially driven deals of the late 1980s and the fat fees which went with them are unlikely to be revived in the near future, if ever.

DEAL LEADERS

	Total n0	Total value (£m)	Av value (£m)	No of invest-ments	Address	Phone
3i	35	1,115	32	77	91 Waterloo Rd London SE1 8XP	071-928 3131
Candover Investments	23	1,488	65	33	20 Old Bailey London EC4M 7LN	071-489 9848
Charterhouse DC	20	2,598	130	52	7 Ludgate Broadway London EC4V 6DX	071-248 4000
Citicorp	20	592	30	48	335 Strand London WC2R 1LS	071-438 1488
County NatWest Ventures	18	605	34	67	135 Bishopsgate, London EC2M 3UR	071-375 5000
Bankers Trust	14	1,823	130	19	1 Appold St, Broadgate London, EC2A 2HE	071-982 2500
Schroder Ventures	14	465	33	22	20 Southampton St London, WC2E 7QG	071-632 1000
CINVen	13	1,345	103	78	Hobart Hse, Grosvenor Pl London, SW1X 7AD	071-245 6911
Phildrew Ventures	13	362	28	38	14 Finsbury Sq London, EC2A 1PD	071-628 6366
Midland/Samuel Montagu	10	656	66	38	10 Lower Thames St London, EC3R 6AE	071-260 9911
Granville	10	145	15	10	77 Mansell St London El 8AF	071-488 1212
Electra	9	1,010	112	40	65 Kingsway London, WC2B 6QT	071-831 6464
Kleinwort Benson DC	9	518	58	28	10 Fenchurch St London, EC3M 3LB	071-956 6600
Barclays DC/BZW	9	271	30	35	Pickfords Wharf, Clink St London, SE1 9DG	071-407 2389
Lloyds DC	7	392	56	36	48 Chiswell St London, EC1Y 4XX	071-600 3226
Murray Johnstone	6	83	14	23	7 West Nile St Glasgow, G1 2PX	041-226 3131
Prudential VM	5	366	73	45	Audrey Hse, Ely Pl London, EC1N 6SN	071-831 7747
Morgan Grenfell DC	5	252	50	10	23 Great Winchester St London, EC2P 2AX	071-588 4545
MIM DC	5	121	24	20	11 Devonshire Sq London, EC2M 4YR	071-626 3434
Mercury Asset Management	4	2,635	659	28	33 King William St London, EC4R 9AS	071-280 2800
Causeway Capital	4	79	20	8	7 Hanover Sq London, WIR 9HE	071-495 2525
Chase Manhattan	3	191	64	8	Woolgate Hse, Coleman St London, EC2P 2HD	071-726 5000
Legal & General Ventures	3	108	36	33	3 Queen Victoria St London, EC4N 8EL	071-489 1888
Salomon	3	80	27	3	111 Buckingham Palace Rd London, SW1W 0SB	071-721 2000
CIBC Capital	3	50	17	3	Cottons Centre, Cottons La London, SE1 2QL	071-234 6000
Foreign & Colonial Ventures	3	43	14	15	Exchange Hse, Primrose St London, EC2A 2NY	071-782 9829
SUMIT	3	42	14	14	12 Newhall St Birmingham, B3 3ER	021-200 2244
Baring Capital Investors	2	449	225	5	140 Park La London, W1Y 3AA	071-408 1282
Hambro Magan	2	292	146	2	32 Queen Anne's Ga London, SW1H 9AB	071-233 1400
Flemings	2	127	64	8	25 Copthall Ave London, EC2R 7DR	071-638 5858
APA/MMG Patricof	2	95	48	7	24 Upper Brook St London, WIY 1PD	071-872 6300
Edinburgh Financial Trust	2	59	30	2	14 Melville St Edinburgh, EH3 7NS	031-226 4814
James Capel	2	58	29	2	6 Bevis Marks London, EC3A 7JQ	071-283 5230
Bank of Boston	2	54	27	8	39 Victoria St, Westminster London, SW1H 0ED	071-799 3333
Swiss Bank Corp	2	39	20	2	1 High Timber St London, EC4V 3SB	071-329 0329
Unity Trust	2	33	17	4	9 Prescot St London, El 8BD	071-481 3110
Gartmore	2	20	10	8	2-3 White Hart Yard London, SE1 1NX	071-782 2000
Guidehouse	2	19	10	2	8-13 Chiswell St London, EC1Y 4UP	071-628 5858
Standard Chartered/CWB	1	125	125	12	33/36 Gracechurch St London, EC3V 0AX	071-623 8711
Hill Samuel DC	1	28	28	16	100 Wood St London, EC2P 2AJ	071-628 8011
Norwich Union VC	1	13	13	10	PO Box 53, Surrey St Norwich, NR1 3TE	0603-683803
ECI	1	12	12	17	Brettenham Hse, Lancaster Pl, London, WC2E 7EN	071-606 1000
Scottish Eastern				11	29 Charlotte Sq Edinburgh, EH2 4HA	031-225 3811
Sun Life				10	107 Cheapside London, EC2V 6DU	071-606 7788
Others/no longer active	34	1,531	45			
None/unknown/(duplication)	(10)	(1,599)				
TOTAL	321	18,790	59			

Qualification: ie £10m plus deals, 2 deals led or 10 investments made
Cumulative since 1981

Source: KPMG Corporate Finance

VENTURE CAPITAL

The FT proposes to publish this survey on
5 November 1991

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Data source: BMRC Business Survey 1990

FT SURVEYS

PROFILE: Dial-a-Phone

Vote of confidence in management

THE buy-out of Dial-a-Phone, a UK supplier of key telephone systems, "wasn't the easiest deal in the world to do", says Mr Michael Glover, who handled the deal for Grosvenor Venture Managers. The managers had to buy out the receiver, since DAP had been placed in pre-receivership in an effort to revive the company. "It was very, very messy."

One of the problems, he says, was that the previous management "had done some pretty hairy things". Another problem for Mr Glover was that the managers, particularly the managing director – "a very strong character", which was what was needed to carry the business forward – drove a hard bargain.

Dial-a-Phone, set up by a husband-and-wife team, was the first supplier to take advantage of the liberalisation of the telecoms market that allowed companies to fix their equipment to British Telecom or Mercury lines. It had grown fast during the boom years of the 1980s, first concentrating on installing telephone systems in the north-west while BT and Mercury were concentrating their efforts further south, and then expanding by offering clients nationwide maintenance contracts.

DAP's main customer was, and still is, TSB, the UK bank, which offers information from one central office in the south-east of England for the price of a local call, irrespective of the call distance. DAP persuaded the TSB calls should be monitored so that callers could be answered by someone with their local dialect. "If you call from Wales, you expect to speak to someone with a Welsh accent," says Mr Glover. This psychology has since been employed by other companies.

By the end of the decade, the company had become the UK's largest independent supplier, installer and maintainer of key telephone systems – a sort of "mini-exchange" on each telephone on staff desks. However, says Mr Glover, "perhaps they thought they'd found the elixir of life", when in fact the improvement in the economy was driving the growth.

The owners began buying companies and overstretched themselves. When things turned bad, says Mr Glover, the company began trying to improve its cash flow. One of the "hairy things" the owners then did was to sell forward maintenance contracts, and financial control went awry.

Repayments on loans from Kleinwort Benson were missed, prompting the merchant bank to bring in John Robinson, former managing director of the UK electrical and electronics distributor Electrocomponents, and Peter Musson as managing director and finance director, to review the situation.

At this stage, according to First Independent, the finance house that co-ordinated the DAP buy-out, "the company had virtually ceased to trade and was in imminent danger of collapse".

Kleinwort's wasn't interested in further long-term funding of the group. The management therefore had to look into finding other backing, which seemed unlikely, or sell the business and assets.

Mr Glover says Grosvenor was the first institutional investor to go to see the managers, last May, while DAP was courting trade buyers. Mr Glover knew Mr Robinson and his past industrial experience; and, he says, his colleague, Mr Robert Drummond, "had made money from previous investments" in Mr Robinson's business.

Grosvenor was convinced the new bosses could make a go of it, but felt that four institutions were needed to supply the finance. The managers decided to pursue a buy-in/buy-out in parallel with a possible trade sale of the business.

However messy a deal might turn out to be, the yardstick when deciding whether or not to back a buy-out is whether one believes in the managers

There therefore followed a tricky period, during which the managers had to distance themselves from the buy-out and provide all necessary information to any interested buyers.

Two trade buyers and the buy-out team made offers. Kleinwort preferred the buy-out plan because it offered the highest price and shortest time to completion – two weeks was the aim.

In the event, it took nearer to two months. Time passed, with the managers working long days trying to run the business and negotiate the deal. A complicating factor was that when money had been tight, some maintenance contracts had been sold to Sabre Leasing, a subsidiary of Union Discount. The managers regarded these contracts as essential to the success of the company and had to negotiate their return to DAP.

Kleinwort became reluctant to provide any more money, and financial constraints affected the business.

Then two of the four institutions pulled out, leaving Grosvenor and County NatWest Ventures. No other party could be brought in at the last minute – Mr Glover says the current feeling in the City is "if there's an excuse for not doing a deal, they'll take it" – and with deteriorating trading, a revised, lower price was offered to Kleinwort's.

Kleinwort's accepted, on the understanding that if a sale had not been completed within five days, a receiver would be appointed – unwelcome to the management, but unavoidable.

On July 9, the receiver came in. This gave the management more time to deal with the buy-out while the receiver handled day-to-day trading – and it removed their conflict of interest.

The four members of the buy-out team – Mr Robinson, Mr Musson, Mr Colin Hill, sales director, and Mr Peter Cassidy, technical director – could more easily discuss terms with suppliers that were also unsatisfied creditors of DAP.

The team made a final offer to the receivers within three days, demanding that completion be within 24 hours. At midnight on July 12, the buy-out was completed: DAP Communications and Switchcare Maintenance became a new company called Sterry, in a £7m deal.

Under the final terms, County NatWest and Grosvenor put in £1.6m each. The managers put in £150,000 between them, the rest coming from banks and creditors foregoing what they were owed by DAP. Mr Glover says that gearing, at roughly 1:1, "is the top of the scale these days – but again, says something for the strength of the management" that the institutions were prepared to agree such terms.

Current sales, forecast to grow rapidly, are £15m.

The managers have 15 per cent of the equity, which could increase to 25 per cent, depending on the price realised on sale or flotation of the company.

However, Mr Glover stresses that the institutions have only one director between them on a board of five: "Institutional investors should not play at managing companies," he says.

Many of Grosvenor's staff, including himself, he says, have industrial management experience and "know what it's like from the other side" when institutions interfere in the running of the company.

DAP's problems are not over yet. The former owners are suing Kleinwort over its handling of the company. The buy-out managers have "a copper-bottomed guarantee" from Kleinwort that indemnifies the company against any litigation, says Mr Glover.

But however messy a deal might turn out to be, his yardstick when deciding whether to back a buy-out is whether he believes in the managers.

"I was convinced about the business decision," he says. "If you don't feel comfortable with the management or the business, you shouldn't put your money on the table."

Elisabeth Tacey

Equity providers no longer call the shots

Power shifts towards banks

UP TO the start of the 1990s, reviews of the main participants in the management buy-out market concentrated on the role of the equity providers – the venture capital groups and specialist buy-out funds.

The past 12 months, however, have seen a shift in power away from the equity houses to the banks which provide the loan finance. A combination of the economic downturn, the problems faced by some of the highly-geared buy-outs completed in the 1980s, and a newly-cautious attitude on the part of the banks themselves have meant that the bankers have become the crucial element in any deal.

"Up to 1989, when the market was in full flow, the deals were put together by the venture capitalists and the merchant bankers, and the clearing banks came in as tail-end charlies," says Mr Malcolm Cameron, in charge of management buy-out finance at National Westminster Bank.

But now that the banks have begun to insist on more conservatively financed deals and have started to exercise their powers to refuse unduly speculative transactions, their backing for a deal is no longer taken for granted. This is in sharp contrast to the 1980s, when competition between the banks for practically any deal meant the deal makers could take the bankers for granted.

In some instances, Mr Cameron reports, teams of buy-out managers are now approaching their bank first to see if a buy-out is feasible, and it is the bank which refers them to one of the equity providers.

In part, this shift of emphasis is a result of the withdrawal of many of the overseas banks which piled into the UK buy-out market in the 1980s, says Mr Frank Neale of Phildrew Ventures. Some have withdrawn because of the losses sustained on earlier buy-outs, others because of a change in head-office policy arising from difficulties encountered in other areas of banking. Now that many of the American and Japanese banks have pulled out, the domestic banks have been able to reassert themselves.

The five banks which have been most active in lending to buy-outs over the past 12 months have been NatWest in conjunction with its merchant banking arm County NatWest, Bank of Scotland, Barclays/BZW, Midland/Samuel Montagu and Charterhouse/Royal Bank of Scotland.

Banks have begun to refuse some speculative transactions

Most of the other banks which appear in the table of leading debt arrangers (right) led, or participated in, only one or two deals in the past year. Previously active participants such as Bankers Trust and Standard Chartered led no new deals, according to KPMG Peat Marwick McLintock.

The recent increase in the number of refinancings and restructurings of buy-out companies has made it essential for the equity providers and management teams to know that they can rely on the commitment of their bankers. In the febrile conditions of the late 1980s, many overseas banks took large chunks of debt on to their books only to sell on all, or most of it, to other banks. When problems arose, the syndicate leader frequently had no financial interest in finding a solution.

Some overseas banks have even called on their UK counterparts to take over the leadership of syndicates when companies have run into trouble. Not surprisingly, however, few banks are willing to take on the time-consuming chore of arranging a refinancing for the absentee deal-leader.

While most attention recently has centred on the banks, the equity providers, too, have been under pressure and some of the less committed operators have reduced their involvement. The equity participants have not only suffered losses on some of their deals, they have also been deterred by a decline in the returns which they can expect from buy-outs.

"Only a few of the bigger equity funds are prepared to do deals and play for the longer term," says Mr Geoffrey Westmore of accountants Coopers & Lybrand Deloitte. "A lot will not do deals because the internal rates of return (IRRs) don't look good."

Among the most active equity funds over the past year in terms of deals led have been 3i, County NatWest Ventures, CIN Ventures, Phildrew Ventures and Murray Johnston.

But the recession has meant that, for the first time, the providers of funds are being judged by more demanding criteria than simply their ability to do deals. "Some people in our industry have shown themselves to be poor managers of their portfolios in a downturn," says Mr Neale. "Some are too willing to believe what the managers of their portfolio companies tell them instead of taking tough action, while others do nothing and walk away from their investments when they get into trouble."

Mr Neale believes only "four or five" funds will come out of the recession well. Some deal-leaders have asked Phildrew to lead a restructuring of a problem company, he says, even though it was among the smallest participants in the equity syndicate.

Among those equity funds rated most highly by their rivals – even if they have not all been among the most active in completing new £10m plus UK deals over the past year – are Candover Investments, Schroders, CIN Ventures, Morgan Grenfell Development Capital, Barclays Development Capital and 3i.

"The most effective funds are those which, even if they do not have industrial expertise in-house, know when to draw the line and call in the experts," Mr Westmore says.

Charles Batchelor

LEADING DEBT ARRANGERS

	Total no	Total value £m	Av value £m	No of investments
Nat West/County NatWest	52	1,133	22	75
Bank of Scotland	46	799	17	86
Barclays/BZW	34	660	19	53
Midland/Samuel Montagu	21	433	21	35
Bankers Trust	19	1,417	75	20
Standard Chartered/CWB	18	1,001	56	30
Charterhouse/RBS	18	796	44	33
SecPac	9	247	27	14
Citibank/Citicorp	8	620	78	13
Kleinwort Benson	6	144	24	15
Lloyds	6	67	11	21
Warburg	4	1,989	497	4
Chemical	4	1,430	358	8
Continental	4	87	22	9
Scandinavian	4	59	15	4
Manufacturers Hanover	3	50	17	3
Credit Agricole	3	47	16	15
CIBC	3	26	9	15
Den norske	3	21	7	7
TSB	3	19	6	4
Toronto-Dominion	2	37	19	11
3i	2	12	6	16
Industrial Bank of Japan	1	108	108	14
Westpac	1	45	45	11
Creditanstalt	1	10	10	19
Long Term Credit Bank of Japan				17
Allied Irish				11
Dai-Ichi Kangyo				10
Nippon Credit				10
Fuji				8
Sumitomo				8
Others	25	822	33	
None/unknown/(duplication)	21	(29)		
TOTAL	321	12,050	38	

Qualification: in £10 million plus deals, 3 deals arranged or 8 investments made. Cumulative since 1981.
Source: KPMG Corporate Finance

FORECO LTD
EAGLE TAVERNS
£16,500,000
MURRAY JOHNSTONE

SOCK SHOP
£7,160,000
Management Buy-in
SOCK SHOP HOLDINGS LIMITED
MURRAY JOHNSTONE

MURRAY JOHNSTONE

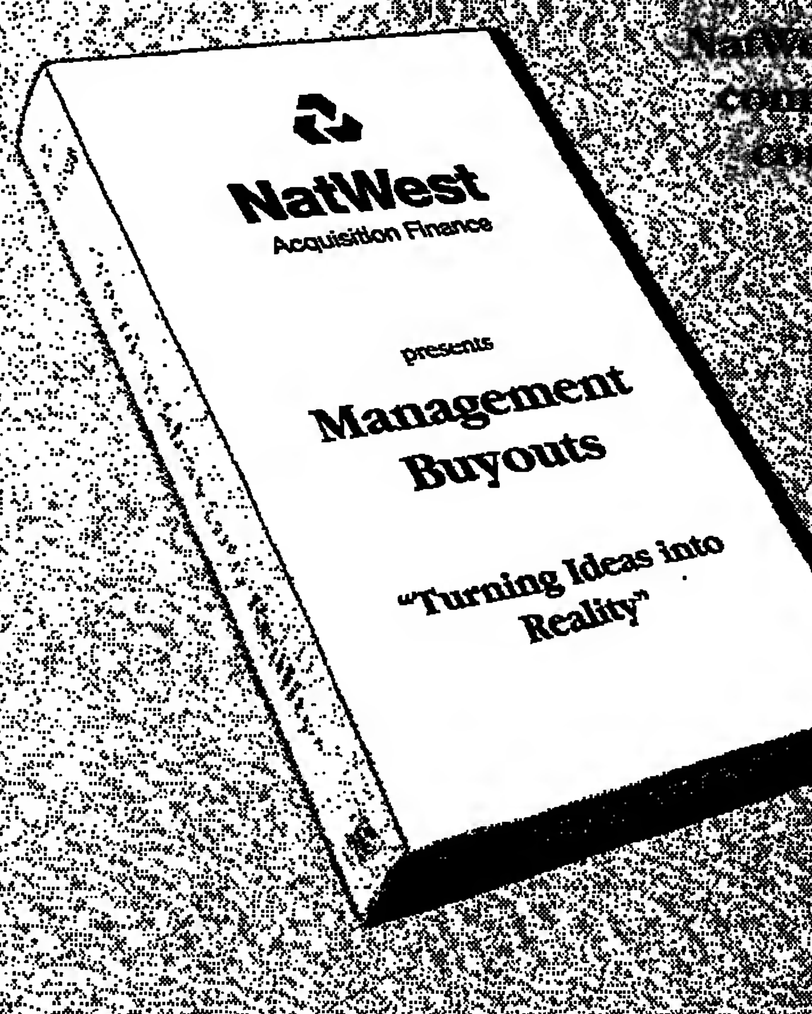
SRH
£16,200,000
Management Buy-out
SRH plc
MURRAY JOHNSTONE

Yorkshire Food Group Limited
£15,000,000
The Scotia Haven Group Limited
MURRAY JOHNSTONE

RPC
CONTAINERS
£14,000,000
Senior Debt Facilities
to finance the acquisition of the assets of Reedpack Plastics Group from SCA
Arranged and Underwritten by
National Westminster Bank
NatWest Acquisition Finance

serap
LA MAISON LA PERSONNE LES LOISIRS
SERAP UNION
a acquis
la société SERAP et 6 sociétés affiliées
La dette senior a été arrangée et syndiquée par
National Westminster Bank s.a.
NatWest Acquisition Finance

NelsonHurst
Nelson Hurst Group Limited
has been acquired in a management buy-out from
Citibank Investments Limited
by
Lynceus Holdings Limited
Equity Underwritten and Subscribed by
Advent International PLC
Senior Loan Facilities
Jointly Arranged and Underwritten by
Bank of Scotland
National Westminster Bank
NatWest Acquisition Finance



NatWest Acquisition Finance has commissioned a video guide to completing Management Buyouts.

This video, featuring successful deals completed for BSM, Fenchurch Insurance Group, Video Arts Limited and Metsec Plc, provides a valuable guide for potential Management Buyout teams.

For further information please call Malcolm Cameron on 071-920 5348 or 071-454 6271.

NatWest Acquisition Finance

MANAGEMENT BUY-OUTS 6

THE NETHERLANDS

Market still strong

THE DUTCH management buy-out market may still be small by the standards of Anglo-Saxon countries such as the US or the UK, but it is relatively big when compared with Germany, Italy and most other continental economies.

Although the market reached a provisional peak in 1989, it continues to show strong development, buoyed by two main factors which have steadily helped push it along in recent years.

Firstly, the business people who founded successful family-owned companies in the post-war boom of the late 1950s and 1960s are now approaching retirement age. In the absence of a successor in the family, these businesses are increasingly being sold to senior management and staff.

At the same time, big Dutch

In the early years, management buy-outs often resulted from the break-up of Dutch companies under the pressure of recession

companies are refocusing their strategic attention on "core businesses", opening up opportunities for non-core operations to be sold to the managers who run them.

These two reasons for performing a management buy-out stand in sharp contrast to the motives that dominated the market when it was in its infancy in the early 1980s. In the early years, management buy-outs often resulted from the break-up of Dutch companies (usually conglomerates) under the pressure of recession. In essence, the parent company had little choice but to divest, and a management buy-out would seem like the best way of preserving jobs at divisions which could survive independently.

"In the early 1980s, management buy-outs were caused by desperation. Now we're seeing that MBOs are being done as a matter of reasoned business policy, both on the part of the vendors and the buyers," said a Dutch banker, active in the field.

Reliable figures on Dutch MBOs are difficult to compile, because details of transactions are usually not published in order to protect the privacy of both vendor and buyer. However, by scrutinising the deals that are publicised and which are then reported in the Dutch press, Mr Hans Bruining, of the Management Buy-Out Research Unit, at Erasmus University, in Rotterdam, has estimated that there were 38 MBOs in the peak year 1989 and that the figure fell to 18 in 1990, a decline which many observers attribute to economic uncertainty spawned by the Gulf crisis.

Mr Bruining says that, in any given year, the true number of buy-outs may be two-to-three times higher than the publicly-acknowledged deals. This view is supported by Dutch bankers and venture-capital specialists.

More than 250 MBOs have been carried out in the Netherlands since 1980, with the amount of funds invested estimated to run to around Fl 750m (£228.7m) a year. This is not high by US, UK or even French standards, but compared with Germany or Italy, whose domestic economies are significantly larger than that of the Netherlands, the MBO plays a proportionally larger role in the restructuring of business than it does in most parts of continental Europe.

This year, the MBO market seems to have shrugged off the recent slowdown in the Dutch economy. By the summer, 18 buy-outs had been reported in the Dutch financial press, matching the number of transactions registered for 1990 as a whole, says Mr Bruining. The relative strength of the first half of 1991 is widely attributed to the release of pent-up demand following the Gulf war.

The biggest so far this year is believed to have been the Fl 73m ($37.20m) buy-out of Aritech Europe from its US parent Aritech Corp. With 25 distribution centres around western Europe, and factories in Dublin and the Dutch town of Roermond, Aritech Europe claims to be the leading manufacturer and distributor of electronic security and fire-alarm equipment in Europe. The buy-out, completed in July, was arranged by Citicorp Venture Capital and Particuliere Participatie Maatschappij Amro (which has since been renamed ABN AMRO Participaties), one of several collaborations between the US and Dutch banks.

One potential deal, which may still emerge later this year or next, is an attempted staff buy-out at Het Financieele Dagblad, the daily financial newspaper, whose owner, Mr Hendrik Sijthoff, is retiring. If successful, it would be the most noteworthy example in the Netherlands of employees buying the company for which they work. If the deal cannot be arranged, the newspaper is likely to be sold to a rival publisher or to a group of investors.

MBOs in the Netherlands tend not to be highly leveraged, a reflection of the more innate financial caution of

MBOs in the Netherlands tend not to be highly leveraged, reflecting the financial caution of managers

Dutch managers. "In the Netherlands, people tend to be more conservative about cash-flow financing," Mr Bruining explains.

Another common explanation for the lack of leveraged buy-outs is the consultative role played by a company's works council in large financial transactions. A highly leveraged deal would probably not find favour with employee representatives, because of fears for the company's survival and the continuity of jobs.

Nor are there examples in the Netherlands of "going private", or taking a quoted company off the stock exchange through a bid for the company's shares by management.

Management buy-ins, however, are more common, exemplified by Joep van den Nieuwenhuyzen, the young Dutch entrepreneur, whose Begemann group has bought up a string of ailing metalworking companies and restored them to financial health.

Ronald van de Krol

GERMANY

Fledgling sector is slow to take off

GERMANY has not turned out to be the most fruitful of territories for domestic and foreign exponents of management buy-outs. True, there have been some largish deals and quite a few small- and medium-sized ones. And in the struggling east German economy, MBOs have been taken up with a fervour which makes some sceptics in the west shake their heads in wonderment.

But buy-outs have never taken off as they have in some other countries. Many deals in west Germany are not publicised, so it is hard to obtain a satisfactory idea of how large the business is. "MBOs are gaining more acceptance," says Mr Hans-Dieter von Meibom, the head of Pallas Finanz, part of the Luxembourg-based Pallas group. "But it's true that some people see them as a financial gimmick".

Those active on the German buy-out front usually point to two main sources of transactions: The host of *Mittelstand* (small and medium) businesses, whose family owners may be facing a succession problem; and big international, often US, concerns which want to sell off peripheral or underperforming activities.

In both cases, the new concentration on business opportunities in east Germany has tended to push buy-outs down the list of corporate priorities, at least for the time being. "People have decided not to sell, so the supply [of suitable buy-out candidates] has shrunk," says Mr Nicholas Ferguson, head of Schroder Ventures of the UK, whose German offshoot has been active on the MBO scene. Schroder was instrumental in pulling off one of the best known buy-outs in Germany –

Higher prices have been demanded for deals as overall stock market values have risen

that of Ex-Cell-O, the machine tool company sold by Textron of the US.

But he sees other reasons, too, why buy-outs have not taken off in the way that some experts hoped. Higher prices have been demanded for deals as overall stock market values have risen. Rising interest rates have also pushed up the financing costs. So whereas specialists such as Schroder like to be involved in deals where the price is roughly five times cash flow, some recent deals done by others have been at seven, eight, or nine times cash flow. "So we've been much quieter," he says.

Mr Ferguson also believes there are more fundamental differences between Germany and countries such as the US, Britain, and France, where buy-outs have been more common. In Germany, there is less of a tradition of buying and selling companies, something which is reflected in merger and acquisition statistics.

Also, there are more publicly quoted companies elsewhere and thus more broadly-based stock markets. This, in turn, spurs companies to enhance profits and thus to dispose of subsidiaries that are not doing well or which do not fit in with the main activity. Along with the other two factors goes a more developed investment banking scene.

It has hardly been to the detriment of the west German economy that most companies are taking a longer term view than are their counterparts in the UK and certainly than those across the Atlantic.

Germany's economy is more industrial- than finance-driven, and hence companies' success

The buy-out scene has not been helped by the adverse publicity surrounding some deals in the US

in export markets.

The buy-out scene in Germany has not been helped by the adverse publicity surrounding some of the more spectacular, and controversial, deals in the US. Nor have potential sellers or arrangers of finance been encouraged by the subsequent problems of the DM540m ($310.30m) buy-out of Lignotock, a German car equipment manufacturer, or of some other deals arranged by local investment houses.

In a fledgling market, such setbacks have put a dampener on the market at an early stage in its development. Mr Friedrich von der Groeben, the former head of 3i in Germany, now with Metzler Consulting, believes anyway that the financial aspects of deals are not paramount in Germany. "What is needed is the proper entrepreneurial insight," he says.

The prospects in the western part of the country appear steady rather than spectacular

Mr von der Groeben is also dubious about the much-touted prospects of buy-outs in east Germany. "I'm very cautious. With few exceptions, the opportunities are straight turnarounds or start-ups. The east is not a buy-out situation, but an investment opportunity."

The Treuhand, the east German privatisation agency has seized on buy-outs as a way of selling smaller companies that might otherwise be left stranded. It is still far too early to tell how many of these deals will turn out, although some have already developed acute teething troubles.

One east German buy-out that has got off to a more promising start than many is Industriemontagen Merseburg (IMO), a fabrication services operation with a turnover of around DM100m. The transaction was arranged by Pallas which had been impressed with the way IMO had restructured itself, trained its welders and other workers up to west German standards, and gone after business in the west after the border came down.

Finding other such deals in east Germany will not, however, be easy, as Mr von Meibom admits. "There is a lot of confusion there over the MBO concept. Often deals involve financing that has nothing to do with MBOs. And the risks in many potential deals are huge".

In IMO's case the management has a stake of around 10 per cent; the structure of the deal has been tailored to east German conditions, with more initial flexibility in the financing. Whatever the fate of buy-outs in east Germany, the prospects in the economically developed western part of the country appear steady rather than spectacular. "It always has been and will be a relatively small market," says Schroder's Mr Ferguson. Others may hope for more sparkle in coming years, but excitement is likely to be in short supply.

Andrew Fisher

ITALY

Leveraged operations unpopular

ANALYSTS will have little difficulty in doing their sums on this year's Italian buy-out operations. The number finalised during the first eight months of the year can be counted on the fingers of one hand.

Italy is proving a disappointment for proponents of management buy-outs and buy-ins. "The numbers confirm that this type of operation has not enjoyed the same success as in other countries," says Mr Franco Papa, partner with consultants KPMG Peat Marwick. *The firm's analysis shows that* only 20 operations were completed in 1988/1989. And while the number increased to 31 last year, their average value dropped from L55bn (£25.06m) to L23bn.

Why is Italy an infertile ground for leveraged operations? Mr Papa points to adverse fiscal and economic factors. "Uncertainty over the fiscal treatment of depreciation and financial charges associated with operations has been a handicap. But the main difficulties have been with identifying suitable companies and agreeing appropriate prices."

The slow progress made by *Rothschild's Old Court Italian* Ventures fund highlights the problems. "We have examined many potential transactions over the past two years, but the prices have been too high. Moreover, the companies that are for sale are not those we want to buy," says Mr Richard Katz, Rothschild Italia's managing director.

Since its launch in July 1989, Old Court Italian Ventures has completed only one transaction. Last November it bought control of the Carpi (Modena) fork lift truck maker Lugli, a firm with a turnover of L51bn ($39.4m). Family management has been retained, although *the Rothschild fund now has* all the equity. Reorganisation is in-hand at what Mr Katz describes as "a very attractive situation".

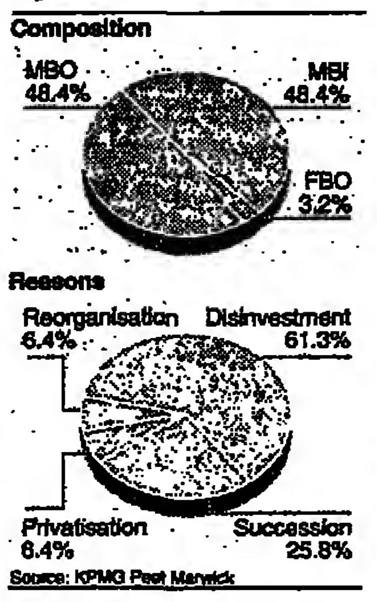
"But nothing else has come into the net," he says, noting that Old Court Italian Ventures is setting tough criteria in its search for profitable *investments.*

Business is similarly downbeat at Citicorp, one of the leading players on Italy's buy-out stage. "Problems with buy-outs in the USA have cast their shadows here. High interest rates are an obstacle to leveraged operations. The economic situation makes this a very difficult time to get deals off the ground," says Mr Dante Razzano, head of corporate finance.

The need to finance through cash flow is a deterrent. "Corporate accounts are significantly worse this year, so paying off debt and other financing incurred for leveraged buy-outs and buy-ins is a *problem," says Mr Guido Belli* at Invest, a leading institution that has successfully closed 15 operations, mainly in the past four years.

"But in spite of worsening company performance, prices have not fallen. We completed two buy-ins and one leveraged acquisition through a subsidiary in 1990. So far this year we have done nothing, although *two transactions are in the* closing phase," says Mr Belli.

Operations in 1990



Source: KPMG Peat Marwick

When Italian finance started to be aware of the buy-out, it was widely thought that there would be great interest from family firms. It was argued that this form of operation would be suitable for resolving the problems faced by Italy's *family-owned companies as ownership passed from first* and second to second and third generations.

"Expectations of a boom in family buy-outs have not been realised," says Mr Razzano. This low level of interest of Italians in buying out their brothers, sisters, cousins and other kith and kin from their family businesses is shown by KPMG Peat Marwick's analysis. There was only one FBO among the 31 operations completed last year, although eight were undertaken for reasons of succession.

Fifteen operations were buy-outs promoted by managers within the firms, the other 15 being MBIs involving the inser*tion of new managers from out*side. In 19 of the 31 cases recorded last year, the operations were the result of disinvestment decisions. The most significant was the disposal of Grove, the oil/gas pipeline valve and regulator *maker, by its Canadian parent* Nova Corporation. There were two cases of MBOs arising from privatisation; Italtractor, from the IRI state holding corporation, and Cedit, from the GEPI state industrial lifeboat.

The figures show that MBOs, MBIs and FBOs in Italy have generally involved small firms. There were no operations last year involving companies with turnover exceeding L300bn. The biggest four were in the L100bn to L300bn range. Twelve concerned firms whose turnover was less than L20bn. "Targets' turnover must be sufficient to justify the operation," says Mr Papa.

However, small operations involve low levels of financing; the absence of mega deals in Italy means the absence of mega debt. Figures from KPMG Peat Marwick for the 21 operations in which details were given of financial structuring show that equity accounted for L136bn, senior *debt for L339bn and mezzanine,* vendor notes and deferred payments for L104bn. The 3.3 debt to equity ratio of last year's operations was 0.8 lower than in 1988/1989.

"Everyone focuses on leverage. But the critical factor is management," says the chief executive of an MBI operation in northern Italy. "There *should be total transfer of* equity to the new owner. The former 'padroni' must be excluded and new owner's management must make its presence felt immediately. Old favouritisms must be removed and inefficiencies tackled.

"Motivating employees to improve performance when their company is being shaken up is not easy. But it has to be done effectively to enhance the exit value, and rapidly if quick returns are sought on the operation."

'Uncertainty over the fiscal treatment of depreciation and financial charges associated with operations has been a handicap. But the main problems have been with identifying suitable companies and agreeing prices'

Mr Katz at Rothschild Italia takes a less pressured approach towards Old Court Italian Ventures' first investment: "There is no urgency for exit. In other countries, or in better conditions in Italy, stock market quotation would be a strong possibility for exiting from Lugli.

"Without improvements in the market, a trade sale seems most likely, although we want to see the company develop significantly before then."

'Some good candidates are starting to appear, although prices need to drop'

Indeed, Mr Katz's attention is probably taken more by the task of entering other Italian companies than by exiting from Lugli. "The generational changes that are taking place and the concern that many small and medium sized enterprises have about their capacity to compete after 1992 will lead to more buy-out and buy-in opportunities. In 1991's tougher conditions some good candidates are starting to appear, although prices need to drop," says Mr Katz.

"With economic forecasts threatening a difficult 1992, opportunities will start to occur. Firms will be more realistic in the prices they ask. We will see more transactions next year," predicts Mr Belli, noting that Invest is currently discussing six deals.

Two to three years ago, MBOs, MBIs and FBOs were the source of great enthusiasm among Milan merchant bankers. Is Mr Belli forecasting another false spring? The next 12 to 18 months will show whether leveraged buy-outs and buy-ins are becoming an acceptable mechanism for financing changes of company ownership in Italy.

David Lane

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MANAGEMENT BUY-OUTS 7

FRANCE

Discussion of laws part of wider transmission debate

THE "transmission" or transfer of businesses is set to become one of the more obscure, but important debates of this autumn's French parliamentary session. Obscure because few in either government or opposition understand the issues or technicalities, and important because over a quarter of the businesses in the country have problems of succession.

The present laws governing management buy-outs will be discussed as part of the wider transmission debate, but are themselves a temporary framework that must be renewed or replaced by the end of this year.

The 1987 amendments made RES-type MBOs easier, but less attractive

At present there are two different systems of business handover that fall under the general term "management buy-out". Their merits and drawbacks have changed over the past few years and have prompted some financiers to call for the scrapping of both. Others want to create a single hybrid system.

For most of the past decade, the predominant buy-out system was the RES (reprise d' entreprise par leur salariés). Introduced in 1984 and modified in 1987 its essential characteristic is that staff must control over 50 per cent of the new company. They are not required to own half the business, as control can be effected through double voting rights conferred on staff.

The chief disadvantage is that the new company can be saddled with the unhelpful minorities, a problem which has made the RES increasingly rare for changes of control involving transactions greater than FFr100m (£10.01m) and quoted companies of all sizes.

The 1987 amendments made RES-type MBOs easier, but less attractive. Whereas previously the new holding company could have all its interest costs repaid by the state, after 1987 only the interest corresponding to the company's tax burden would be repaid. And the interest relief was calculated at standard corporate tax rates of 37 per cent (now 34 per cent), rather than the 42 per cent tax paid on dividends the normal method of transferring profits to the minority partner.

Since 1988, the importance of RES-type MBOs has continued for small companies, but has been almost non-existent for larger ones, which have opted for fiscal integration.

One of the exceptions to this trend was Darty, the household goods retailer, which was sold to management for FFrs7.1bn in 1988. This was unusual in that the owner had deliberately prepared the ground for his succession and significant numbers of employees were already shareholders, making the 25-30 per cent staff holding easier to achieve. Darty's RES was also considerably helped by the then buoyant economic climate.

For most of the other large buy-outs such as the record-breaking takeover of fire extinguisher maker, Sicli, fiscal integration has become more important. This method, introduced in 1987 by the right wing during France's brief period of political cohabitation, allows the company being bought out and the management doing the taking over to consolidate their taxable incomes. It gives total fiscal transparency, but requires the buy-out team to have over 95 per cent of the new company.

Fiscal integration imposes requirements too difficult for smaller businesses to achieve

The socialist parliamentary deputy, Mr Roger-Marchart, has prepared a report proposing a softening of the requirements without lessening the tax burden. This is being discussed with the tax authorities.

Lawyers and bankers have proposed a number of alternatives that combine the existing two systems – because RESs do not work for the bigger deals and because fiscal integration imposes requirements that are too difficult for smaller businesses to achieve.

One such combination suggests that the two systems are proportionately phased, depending on the degree of control achieved. Below a threshold of, say 70 per cent, the RES system could apply, and above it fiscal integration.

Management buy-outs are increasingly being seen as a way of handing over control to friendly forces

The Roger-Marchart proposals being aired, derived from the American "squeeze out" system, may force minority holders to participate in the buy-out or get out, leaving management to manage. But in case this is seen as unfair on the original owners, the minority owners should be offered the choice of being immediately reimbursed in cash or a mixture of cash and shares in the same proportion as has been acquired by the new company.

The Roger-Marchart system is also understood to set minimum numbers of staff participants in the buy-out team. If set too high this could rapidly lead to a dilution of control, with managements giving single shares to friends and relations in order to qualify.

If the technicalities are a source of controversy, there is little debate about the need for improvements. A demographic time-bomb is ticking. A quarter of the 40,000 firms in France employing between 50 and 1,000 staff have in the last 10 years had to change hands because of the retirement of their owner, and 10 per cent of all business failures in France are due to the failure to resolve the difficulties of handing over businesses.

More failures are waiting to happen – according to INSFF, the ministry of finance statistics arm, some 60 per cent of these small- and medium-size enterprises, which are typically family owned, were founded before 1955 in the post-war economic boom.

Management buy-outs are increasingly being seen as a way of handing over control to friendly forces and solving problems of succession – although the number of firms taking this route are as yet small. MBO statistics are hard to come by, but in 1990 there were only about 100 and, according to Nottingham University there have only been some 300 in France in the past decade.

MBOs still have a wobbly reputation in France, in part due to fears of high gearing (debt to equity ratio) and in part because of large MBO failures abroad. LBO France, the biggest French MBO adviser and backer, says that in reality the proportion of RES failures has been small in France. It notes that this has also been the case in the US, but the few that have failed there have been more spectacular.

Similarly, LBO France estimates that the average level of gearing in French MBOs is now between two and three. This was higher in the economic boom between 1987 and 1989 but has fallen back as anticipated returns have shrunk and as the reasons for selling have reverted more towards fundamentals rather than speculation.

Tougher times are forcing more divestments of non-core subsidiaries and at the same time reducing the number of potential buyers in the market. A motivated management makes an ideal purchaser without handing a subsidiary to a competitor.

Workable new MBO laws will be welcomed by most French financial operators, particularly the thrusting young generation of managers who are increasingly open to stockmarket operations and Anglo-Saxon financing techniques.

Patrick Frater

THE UNITED STATES

The number of leveraged buy-outs is in sharp decline

THERE is a widespread perception that leveraged buy-outs are dead. They were, after all, a symbol of the 80s with its easy money and frenzy of financially-driven deals, and everyone knows that this era is over.

To a large extent, that view is correct. Some numbers, collated by Venture Economics, paint the broad picture clearly. They show 61 LBO deals being closed during the first half of 1991, with a combined value of $4.1bn.

That compares with 99 deals in the same period of 1990, when the aggregate value reached $11bn, almost three times the current year's level.

Comparisons with the first half of 1989 are even more startling. In that period, some 154 LBOs were concluded and the value of these deals was a staggering $24bn. This figure excludes the record-breaking $25.2bn RJR Nabisco buy-out which closed in March 1989.

One important reason for the dramatic slump in LBO activity – certainly as far as the US is concerned, and probably other countries as well – is simple: LBOs depended heavily on bank finance. And, as the US commercial banking sector – beset by bad real estate-related loans and its existing exposure to souring highly-leveraged transactions (HLTs) – battles to get its capital ratios into better shape, this source of funding has largely dried up.

However, the LBO business has not become extinct and there are large areas of grey even if the overall picture looks black. For example, the "small deal" market has shown a relatively mild decline. Venture Economics calculates that of the 61 deals completed in the first half of 1991, 51 involved transactions under $50m.

The combined value of these "small transactions" was $283m, only 16 per cent less than the $336m seen for the same category during the first half of 1990.

At the other end of the spectrum, deals over the $250m mark have fallen away with a vengeance. There were 10 deals in this category in the first half of 1990, with a total value of $8.86bn. This compares with only four transactions in the same period during 1991, and their combined worth was a mere $2.88bn.

In terms of transaction type, virtually all the 1991 deals (measured by dollar volume) stemmed from divestitures. In 1990, the range of rationale for deals was much broader.

But if much of the LBO business has died, the LBO funds have not. These consist of fairly sizeable pools of cash raised by both mainstream investment banks and buy-out specialists when leveraged deals were all the rage. Some of the older funds are fairly fully invested; others are sitting on millions of spare dollars. One recent estimate suggested that there might be as much as $10bn to be invested.

Accordingly, managers of these funds have tended to refine their investment parameters. Buy-out groups which had previously made control a key requisite of any investment have shown a greater willingness to take minority stakes; and deals of a restructuring nature, rather than a conventionally defined "buy-out" have been entertained.

For example, Kohlberg Kravis Roberts, perhaps the most reknowned LBO specialist, led a group of investors who injected $283m into Fleet/Norstar, as a key element in Fleet's bid for the failed Bank of New England. The money bought a potential stake of only 16.5 per cent in Fleet/Norstar, but won KKR its first entrance to the banking arena.

As for existing LBOs, they have been spurring a very different industry in recent months. Some have been forced into debt restructuring deals as the combination of recession and hefty debt levels have taken their toll; others have chosen to reorganise their capital structures, in general replacing the debt element by equity.

This latter trend was facilitated when share prices rose sharply in the first quarter of 1991. Quickly, LBOs from the 1980s – including batteries group, Duracell, AnnTaylor Stores, and Interstate Bakeries – issued new shares, bringing down the degree of leverage.

In part, such voluntary manoeuvres are simply aimed at bringing down borrowing costs. In part, however, they are also designed to help companies shed their HLT status, in turn making them more attractive customers for the banking and investment sector.

America's largest LBO, RJR Nabisco, has been a notable participant in this trend – issuing both new equity and new junk bonds – allowing it to pay down its most expensive debt. The tobacco and food group has yet to move to investment grade status, but this suggestion is no longer greeted with incredulity by analysts.

Nikki Tait

NUMBER & VALUES OF BUY-OUTS AND BUY-INS IN EUROPE IN 1989 & 1990

Country	Number 1989	Number 1990	Value(£m) 1989	Value(£m) 1990
Austria	5	8	80	45
Belgium	13	8	79	97
Denmark	32	27	168	110
Finland	16	25	73	67
France	130	150	850	1,755
Germany	25	36	485	292
Ireland	12	15	20	60
Italy	23	27	360	321
Netherlands	45	33	211	90
Norway	8	10	12	132
Portugal		4		15
Spain	12	15	60	70
Sweden	32	40	785	780
Switzerland	21	13	100	208
UK	517	572	7,497	3,170

Source: CMBOR

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PROFILE: Sketchley

Tough competition

WHEN Sketchley, the dry cleaning and textile service group, sent Mr Rufus Bond-Gunning in to run its vending operations in June last year, the division was losing money, staff and customers were dissatisfied and management inept. Sketchley needed a thorough cleaning out.

Sketchley Vending was the result of an amalgamation of three companies in 1986. But it was a poorly executed exercise. Mr Rufus Bond-Gunning was the company's fourth managing director in as many years.

His first six months were spent doing things which should have been done at the time of amalgamation – a management shake-up and cutting jobs.

"By November 1990 I had a good picture of the company. And it was clear that we had a viable business." That prompted Sketchley to put its £30m turnover vending division up for sale. Mr Bond-Gunning put down his marker.

"I wanted an option to lead a management buy-out. Having spent six month putting Vending on its feet I was convinced there were opportunities," said Mr Bond-Gunning.

His fellow directors backed him but Mr Bond-Gunning was keen to secure support throughout the workforce.

In an initial survey on employees' reaction to the proposed buy-out, 460 out of the 1,000 staff responded positively. But it was clear there would be tough competition for the company. When Vending was put on the market in November there were 16 responses.

Mr Bond-Gunning promptly turned to the City. His long business career – 20 years with Racal-Chubb and more recently as managing director with Kalamazoo – ensured doors were opened. "My fellow directors had no experience of the City or buy-outs. We were like babes in the wood."

In December talks opened with three potential backers: Candover Investments; Citicorp; and Hambros. "Candover was recommended by a contact and from the outset we felt comfortable with them. We felt the others were not giving us enough of an incentive."

For Candover, the attraction was Mr Bond-Gunning himself, and what it saw as a business with a future. "Good management can see companies through a recession," said Mr

'The open sale was a complexity we could have done without'

Marek Gumienny, investment manager at Candover, who oversaw the Sketchley deal.

Originally, there were two elements to the sale: the physical assets and the leasebook, essentially a financial asset and comprising customers' contracts for the leasing of vending equipment.

The buy-out team made a single initial bid for both the assets and leasebook. But its discounted valuation of the leasebook was rejected. Negotiations then continued for the purchase of just the assets. Today, west London-based Vending is resigned to its former parent retaining the leasing side of the business, which involves servicing equipment and is worth about £30m.

Sketchley wanted a quick sale but that soon became unlikely for several reasons : worsening recession, which forced Vending's directors to constantly revise their projections; the directors' obligations to make presentations to other potential buyers; and the increasingly hostile talks between Sketchley and Vending itself.

"The open sale was a complexity we could have done without. As directors we were trying to sell the company at the same as were trying to buy it," he said.

Candover injected a sense of urgency and by late December a preliminary bid was posted. In January the buy-out team were short-listed, along with three others whose identities were guarded by Sketchley.

Serious talks with the parent, which started in January, were revealing for Mr Bond-Gunning. "We offered what we thought was a fair price – £4.8m. But because it was an in-house sale, they did not want to give any warranties. We wanted some comfort on certain aspects of the business which we reasonably could not be expected to know about. There are all sorts of things that a group can do with a subsidiary without its knowing." Talks were abrasive.

In mid-March, Sketchley finally agreed to a sale in principle to the buy-out team. This "locked-out" rivals, giving Mr Bond-Gunning and his team sole negotiating rights.

The final deal reflected the need to give Vending breathing space [deferred payments] at the expense of warranties. With that hurdle overcome, discussions progressed rapidly.

But another obstacle remained: the due diligence procedure, when lawyers and accountants carry out their audits of the company. "This was another time-consuming exercise, when our every projection was pulled to pieces," said Mr Bond-Gunning. The deal was signed in June.

The final arithmetic is still being worked out. The total sale price will be an estimated £4.8m. This sum, to be based on the net asset value at the time of completion, is still being thrashed out by Candover and Sketchley plc.

To date, £4.1m has been paid, including transaction costs. This comprises a £1m term loan from the Bank of Scotland; 300,000 from staff (50/50 between directors and other employees); £2.8m in equity from Candover Investments and ECI Funds (Candover and its sister Candover 1987 Fund taking up £1.8m, ECI the rest).

In addition, Bank of Scotland provided a £2m overdraft, as working capital.

The other element of the deal was an option for Sketchley plc to buy 15 per cent of Vending, now called Provend, within the next seven years.

"In many ways this is a sweetener for us," says Mr Richard Meyers, Sketchley's finance director. Having retained the leasebook, Sketchley felt taking the option "would cement its commercial relationship with Vending".

Khozem Merchant

NAMES TO WATCH: Three of the personalities cropping up regularly in big management buy-outs are (from left) Malcolm Cameron, senior executive acquisition finance for Natwest; Roger Brooke, chairman of Candover Investments; and Robert Smith, chairman of Morgan Grenfell Development Capital

MANAGEMENT BUY-INS OVER £10m 1982/91

£m	1982/84	1985	1986	1987	1988	1989	1990	1991 (to date)
Under 25		Cullens (10)	Acal (10)	Life Sciences Int (11) New Scotland Ins (15)	Burn Stewart (13) Autoclenz (13) Clairmont (14) Euro Brands (21)	Range Valley (11) Abacus (11) Maison Caurette (11) Haigh Castle (12) Severn (13) Country Casuals (14) Valor Stoves (14) British Air Ferries (15) Hill Leigh (15) Exide Batteries (16) Britannia Data Mgt (18) ServiceTec (20) Themes Int (22) Rubatex (22) Hamleys (24)	Wilcox (10) Fairmead (10) Anglian Fast Foods (10) Juliana Sound (11) E Lancs Paper Mill (11) Cannons Sports Club (14) Hermes (14) Lydiashourne (15) Canonbury (15) Betta Stores (16) Wimpy (20)	Bianco (11) Boythorpe (11) Drawlane (12) Sitex Security Prods (15) Eagle Taverns (17) BrightReasons (18)
25-50			Gillow (45)	Raleigh (42)	SJC Lilley (27) Needwood (38)	Beacon (29) Court Cavendish (35)	Ravenhead (27) United News Shops II (33) Walter Alexander (42) David Brown (46)	Lyric Hotels (26)
50-100				Utd Precision Ind (76)	Financial Ins (55) Lewis's (74)	Crockfords (53) Square Grip (69) James Neill (79)		
100+	Kingfisher (310)				Cope Allman (265) Lowndes Queenway (450)	Gateway (2,375)	Jarvis Hotels (215)	

Source: KPMG Corporate Finance

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Ian Hamilton Fazey looks at the regional scene

Northern deals are small but abundant

RECESSION may have cramped the management buy-out market in London and southern England, but the situation elsewhere, in regional Britain, is nothing if not dynamic.

One statistic alone confirms this. In the past year 40 per cent of management buy-outs and buy-ins done by 3i have been in the north of England and Scotland. "Historically this figure has always been nearer 25 per cent," says Mr Charles Richardson, 3i's director for northern Britain. "Potential buyers and the banks have been much more cautious in the south."

The reasons for this geographical shift in activity levels are straightforward. Most northern and Scottish deals are tiddlers – £10m or less – when compared with London deals worth tens of millions or higher. Moreover, there is a stream of them which flows independently of the economic cycle, involving, say, owners who have built businesses and want to sell to their employees and retire.

'These are small, friendly transactions and there will always be some on the go'

"These are small, friendly transactions and there will always be some on the go," Mr Richardson says.

There has also been a surge in numbers of managers looking to buy into promising businesses. Some are senior people exiled to the south by career moves and wanting to get back north. Mr Peter Folkman, who runs North of England Ventures, a Manchester-based fund backed by Schroder and Rickitt Mitchell, rates this as significant long-term because it will improve the north's base of senior management talent.

Mr Richardson points out that buy-ins transfer more than managerial skill from the south to the north or from big companies to smaller, but growing ones. "There is an increasing amount of transfer of technology by people who have realised that you do not have to have a lot of money to make an acquisition," he says.

An example last month was the £8m takeover of Quiligotti, the USM-quoted, Stockport-based market leader in terrazzo manufacture and installation. Dr Roy Jenkins, former managing director of Marley Extrusions, Mr Michael Quinlan, former finance director of Tarmac Bitumen Roofing and Mr Maurice Fitzgibbon, who was sales director of Tarmac Roofing Systems, are the team buying-in. Mr Campbell Allan, former chairman of Norwest Holst, will take the non-executive chair.

However, the team has bought less than 5 per cent of the equity between them. They are backed by 13 institutions, which have 61 per cent, with Edinburgh Fund Managers and Equitable Life in the lead with just over 12 per cent each. This clearly illustrates the gambling nature of the buy-in game, however good the odds.

Of the regional participants, SUMIT in Birmingham – part of Sharp's financial services and stockbroking group – and Murray Johnstone have done strong regional business throughout the recession.

Of Murray Johnstone's 18 specialists, three are in London and the rest spread between thriving offices in Manchester and Glasgow, the headquarters. Total investment in 1990-91 has been of the order of £30m, most of it 1991. Of that, £18m went into the regions, about the same as the previous year, itself an indicator, when southern markets were fluctuating dramatically.

This dip in prospects for London funds has led to many a jealous eye being cast over the regions. "The last two years have seen the London boys coming out to try and compete. Many of us have found that a bit annoying," says Mr Geoff Burns of Murray Johnstone. Since most London fund managers did little for the regions in the early to mid-1980s while Britain's venture capital industry was growing, annoyance among the regional pioneers is understandable.

But Mr Andrew Jackson, of the London-based Intermediate Capital Group, says: "The market has been quite strong outside London, where deals keep

Most deals under £10m can usually be financed by banks and equity funders

popping up, so we have been going round the accountants in the regions to talk to corporate finance people."

He admits that most regional deals are unlikely to need his company's services – mezzanine finance – as most deals under £10m can usually be financed simply by banks and equity funders and it would be inefficient to involve yet another party with yet another retinue of professional and their fees in tow.

However, his identification of corporate finance executives in large accountancy practices as the people to tap is telling: they are often the brokers of deals; the first people to hear about potential buy-outs. Also, they are often the recipients of CVs from would-be buyers-in.

In Manchester, for example, the accountancy firm Stoy Hayward has emerged as a prime mover on the buy-out and venture capital scene, with a bevy of specialists now doing nothing else. Not that London funds are going to benefit much in many cases, as senior partner Mr Ian Templeton explains: "Some prices have dropped so much they don't involve institutions and can be financed entirely by the banks with loans."

Stoy Hayward's prices index for deals is running at 7.6 times earnings at present. This compares with a range of prices from 10 to 20 times earnings before the downturn, when the average multiple was about 15.

In other words, multiples are half what they were and, since earnings have been slashed by recession, prices are more than doubly depressed. In the

Nearly all deals reported in the north recently have been in the £1m - £5m range

regions this means many promising deals now cost under £5m, let alone £10m. Indeed, nearly all deals reported in the north in recent weeks have been in the £1m to £5m range.

However, a side effect of low prices is that increasing numbers of owners are becoming reluctant to sell to their managers. "We have seen a number of deals in the offing that have just not materialised," says Mr Templeton.

"Owners are trying to hang on from day to day themselves. They think that if the management can do it, then so can they. In some cases they therefore set prices too high to kill the buy-out.

"There is plenty of activity but how much is going to get to the bottom line I am not so sure about. In May we had completed five buy-outs and had four or five on the stocks, three of which we have since completed. We are now running with four things but I am nowhere near as certain of them as I would have been in March or April," he adds.

Mr Templeton says everyone is having the same problem of getting deals consummated. "I would have reckoned on a completion rate of one in two before the summer, but only one in four now," he says.

However, no one should interpret this as gloom. The reason why the regional buy-outs market was moving quickly earlier in the year was that companies were trading increasingly badly from month to month and getting shot of parts of their businesses was a way out of trouble.

Now they are trading stably and under less pressure to sell, especially at bargain prices. As they start trading better from month to month, dealing will become tougher and prices will rise. This is really good news for more of us: it means the climb out of recession is clearly under way.

MANAGEMENT BUY-OUTS 9

LARGER MBOs 1981/1991 (total funding in £m)

£m	1981/84	1985	1986	1987	1988	1989	1990	1991 (to date)
10-25	Famous Names(8) Isis (8) Stanley Gibbons (9) SPP Group (9) E and Am Ins (10) Hornby(10) Tibbet & Britten (10) Thermalite (13) Gleneagles (14) Ansafone (14) Victaulic (14) Stone (18) Westbury (18) Amalg Foods (21) DRI (22) Paragon (24)	Brymon Airways (9) Evans Halshaw (10) *Cullens (10) Bison (10) Willis Faber (10) KDG Instruments (11) Essanelle (11) European Ind Ser (12) A.J. Archer (13) Record Ridgway (13) Secure Homes (13) Royco (13) Bellwinch (13) Ellerman Lines (15) V Thornycroft (18) Wades (19) Bradstock Ins (20)	Exacta(10) *Acal (10) Joyes Hygiene (11) Maccess 1 (11) Partco (11) Trend (12) Furmanite (12) Gomme (12) Cundell Corrugated (13) Intercraft Designs (15) Nestor BNA (15) Computing Devices (19) Technitron (21) Berkertex (23)	Leyland Bus (10) RFS Industries (10) *Life Sciences Int (11) Venture Plant (11) Porth Dec Products (12) Holliday Dyes (12) Janson Green (13) *New Scotland Ins (15) AVO (15) Serco (15) Gold Crown Foods (15) Aqualisa Products (16) Aynsley China (18)	Kirklees Chemicals (10) Radstone Tech (10) Celebrity CP (10) National Express (10) Lowfield (11) Burlington Int (12) Motor World (13) *Burn Stewart (13) AMG Inds (13) Harrap Publishing (13) Autoclenz (13) *Clairmont (14) Grand Transport Systems (14) Lowndes Lambert (16) Grampian CF (18) Peerless (18) Maccess II (18) ABI Caravans (20) John Perring (21) Welland Homes (21) Travellers Fare (21) *European Brands (21) Meteor (22) Yorkshire Rider (23)	Busways (10) Citytab (10) Rosenthal (10) Fine Art Wallcoverings (10) *Range Valley (11) *Abacus (11) Seckers Silks (11) Coin Industries (11) *Mason Caurette (11) Lancashire Enterprises (11) *Haigh Castle (12) Golden West Foods (13) *Severn (13) Tallent Eng (13) Horlicks Farms & Dairies (13) *Valor Stoves (14) *Country Casuals (14) Country Holidays (14) BREL (14) Eurovein (14) *Hill Leigh (15) May Gurney (15) *British Air Ferries (15) *Exide Batteries (16) Wilcomatic (17) Geest CO (17) Godiva (17) *Britannia Data Mgt (18) Barbour Campbell (19) Mercado (20) Solicitors' Law Stat Soc (20) *ServiceTec (20) Harland & Wolff (21) Slade (21) *Themes Int (22) *Rubatex (22) *Hamleys (24)	Mercury SDS (10) Viscount Catering (10) Peter Cox (10) *Wilcox (10) Chemical Manuf & Refin (10) Morris Homes (10) Saith (10) *Fairmead (10) *Anglian Fast Food (10) SMT Omnibuses (10) Lambert Smith Hampton (10) Astra Training Services (11) *East Lancs Paper Mill (11) Eaton Williams (11) *Juliana Sound Services (11) Fogarty (12) Licensed Clothing (12) Camb. Capacitators (12) Premium Life (12) Dob Group (12) John Wilman (12) *Cannons (14) *Hermes (14) Wakebourne (14) English Glass (15) *Lydiashourne (15) *Canonbury (15) *Betta Stores (16) Kosset Carpets (16) Hoare Govett (16) Macfarlan Smith (17) Goldcrest (17) Alexander Drew (19) Flexpack (20) Staffs Tableware (20) *Wimpy Restaurants (20) Toplis & Harding (21) WW (21) Saga (24) Batleys (24)	Davenham (10) Pleasureworld (10) *Bianco (11) *Boythorpe (11) Arncliffe Homes (11) *Drawlane (12) Gibson International (12) Lodge Care (13) *Silex Security Prods (15) Systems Reliability (16) *Eagle Taverns (17) Kingsgrange (17) *BrightReasons (18) DRG Litho Supplies (23) PL Holdings (24)
25-50	Hugin (26) Wordplex (28) Allenwest (29) Timpson (42) First Leisure (44) Collier (47)		Haleworth (25) GBE Int (25) Evans Healthcare (34) UK Paper (38) Norwest Holst (45) *Gillow (45) City Merchant Dev (46)	Istel (26) Utd News Shops 1 (29) Clares Equipment (29) Crown House Eng (36) *Raleigh (42) Rentco (43)	Gooding(26) *FJC Lilley (27) Harveys Furnishings (28) Mono Pumps (29) Eurocamp (32) UK Shoe (36) Dwek (37) *Needwood (38) VF Int (39) Alma (40) Goldsmiths (40) Sheffield F'masters (42)	Elizabeth Shaw (25) Aspinal Curzon (25) AEC (28) *Beacon (29) Trinity (31) Bell Fruit (32) Fenchurch Insurance (32) Court Cavendish (35) Norwich Corrugated (36) Brittania (36) Nottingham Group (37) MBS (41) Video Arts (44) Meco Int (45) Healthcall (46) Illingworth Morris (49)	Keller (26) Hozelock (27) *Ravenhead (27) Roxboro (31) Appledore (31) *Utd News Shops II (33) Normand Motor (34) Utd Pressings & Fabric. (35) Invereak (40) Br School of Motoring (42) *Walter Alexander (42) *David Brown (48)	*Lyric Hotels (26) Conder Products (34) Eurovein II (34) Blue Arrow Personnel (36) RPC Containers (37) Nelson Hurst (38) MediMedia (41)
50-100	Target (50) NFC (59)	St Regis (62) Haden (60) Caradon (66) Mallinson-Denny (93) Mecca Leisure (98)	Fairey Group (51) TIP Europe (60) Parker Pen (74) United Machinery (86)	BTA (50) Unipart (52) Pontins (55) Assoc Fresh Foods (68) *Utd Precision Ind (76) *Moores Furniture (80)*	*Financial Ins (56) York Trailer (61) Glass Glover (62) EIP (68) *ITC (70)* *Lewis's (74) Palmer & Harvey (85) Response (97) IMS Lycrete (98)	MCD (52) Tyzack (52) *Crockfords (53) United Carriers (55) Gill & Duffus (58) *Kenwood (68)* *Square Grip (69) Highland Participants (73) **James Neill (79)* Strand VCI (89)	Hay Group (50) West Midlands Travel (60) Fallowgrange (73) Really Useful (77) *Anglian Windows (84)*	
100-250			Premier Brands (IOO) VSEL (115)	Wickes (120) Int Leisure (157) Compass (160) ASW (181) Lee Int (198) Humberclyde Inv (205)	Invergordon (116) British Fuels (134) Hollis (146) Argus Press (207) Virgin (248)	Ryan (113) London Club (125) Maritime Transport Svcs (155) MW Marshall (175) Charles Church (203)	Landhurst (158) Yardley Lentheric (160) Jarvis Hotels (215)	Taunton Cider (101) Data Sciences (103) Devro (108) Field Packaging (121)
250+	*Kingfisher (310)	Lawson Mardon (280)		Hays (255) MFI/Hygena (718)	*Cope Allman (265) BPPC (273) Bricom Inds(405) *Lowndes Queensway (450) Reedpack (805)	Allders (260) Magnet (667) *Gateway (2,375)	Del Monte Foods (258)	

Larger management buy-outs are taken as those with total funding of over £10m (subject to allowance for inflation until 1988)UK MBOs include MBIs (indicated by an asterisk), but exclude leveraged acquisitions where the manager's stake is incidental, refinancings and UK funding of businesses with overseas head offices. Source: KPMG Corporate Finance

Hester Thomas finds the benefits of Esops have yet to be seen

UK slow to embrace idea of employee share ownership

EMPLOYEE share ownership plans, or Esops, are often best introduced when a company is undergoing big share ownership changes. Hence approximately 20 per cent of the 50 Esops so far organised in the UK have been completed during management buy-outs. However, despite the opportunities they offer for rewarding *and motivating* the workforce, Esops have yet to become truly popular in the UK.

Part of the reason for that may lie with the investment community. Few institutions have been involved in Esops and the prevailing view, says Mr Charles Gonszor, partner at Phildrew Ventures, "is that they're tricky things to put in place".

Those who have been involved in setting up Esops during MBOs take a different view. "*It's not complicated*," says Mr Robin Blagburn,senior corporate finance manager at Unity Trust Bank. "All you're doing is introducing one extra share-holder, the employee benefit trust (EBT),around the table during the MBO. And the trust can be set up quickly."

Esops are a means by which employees can acquire a large share-holding in their company, whether public or private, without necessarily laying out personal capital. *Although Esops can be tailored* to meet a company's requirements, the general arrangement remains the same.

The company sets up an EBT to acquire some of its shares. The trust buys shares from an existing share-holder using proceeds from a loan guaranteed by the company and serviced by the company's cash flow. Repayments are tax efficient because payments from the company to the EBT are treated as payments to employees, while the Trust uses the funds to repay the principal of the loan as well as meet interest charges.

Shares are then distributed to employees, usually through an Inland Revenue approved profit sharing trust (PST). Although shares can be sold to employees, most are gifted by the company. As long as the shares are held for five years, employees pay no income tax on the *sale of gifted* shares. The EBT can re-purchase shares from employees, creating an internal market for the benefit of all of the workforce.

RFS Industries Group, a £4.75m management buy-out of the British Rail Engineering works at Doncaster, set up its Esop in 1987. "We wanted to ensure employees would feel part of the new culture we were fostering," says company secretary Mr Robert Johnson. The Esops acquired 13 per cent of the company, with all employees entitled to shares after a six month qualifying period.

At the first issue in 1988, employees received 17 shares, *each valued at £6. In 1989, with* the shares valued at £17.50, the company offered each employee three free shares and the opportunity to buy three more. Half of the 900 employees put their money into the group – a positive sign, says Mr Johnson, of workers' belief in their company. The money received allowed the Esop to repay its loan to Unity Trust Bank of around £36,000 and to meet its capital gains tax liabilities on the profit from the sale.

Since then further gifts and offers to purchase shares have been made to the workforce, although the share price fell to £13.50 in 1991. The EBT has offered to buy back a number of shares from employees and ex-employees at this latest price less income tax, allowing employees to realise £12 per share. The majority of ex-employees sold their shares while most employees chose to hold.

Cleveland Transit, a bus and coach operator, completed its management and employee buy-out from three local authorities in May 1991. Of the company's 2m shares, 49 per cent belong to the 360 employees and 51 per cent to the four lead managers.

According to Mr Malcolm Howitt, managing director, "we'd been planning the Esops since 1988 when the local authorities agreed in principle to the sale". He believes an Esop is an ideal way of acquiring a company. "It provides a means of raising a proportion of the cash while also gaining employee involvement."

The advertising group Collett Dickenson Pearce (CDP) set up its Esop in December 1990 during a company restructuring following an earlier MBO. As a service company, employees are its main assets. The Esop shares will be offered to key staff throughout Europe as "a financial and emotive incentive to encourage them to stay with the group long-term", explains commercial director Mr Stephen O'Brien.

Just how easy or difficult it is to set up an Esop seems to depend on a company's commitment to it. "During an MBO people are inundated with advisers and anything extra, such as an Esop, is seen as a complication," says Mr Malcolm Hurlston, director of the Esop Centre, a non-profit organisation established to encourage Esops. The centre plans to have a model Esop available by October, "making it much cheaper and easier to set up", says Mr Hurlston.

According to Mr George Robinson, Barclays Bank's head of Esops financing, its bank charges and legal costs generally should not exceed £100,000 or 1 per cent of a £10m buy-out. RFS Industries Group paid approximately £30,000 to set up its Esop and spends a further £15,000 annually on administrative costs.

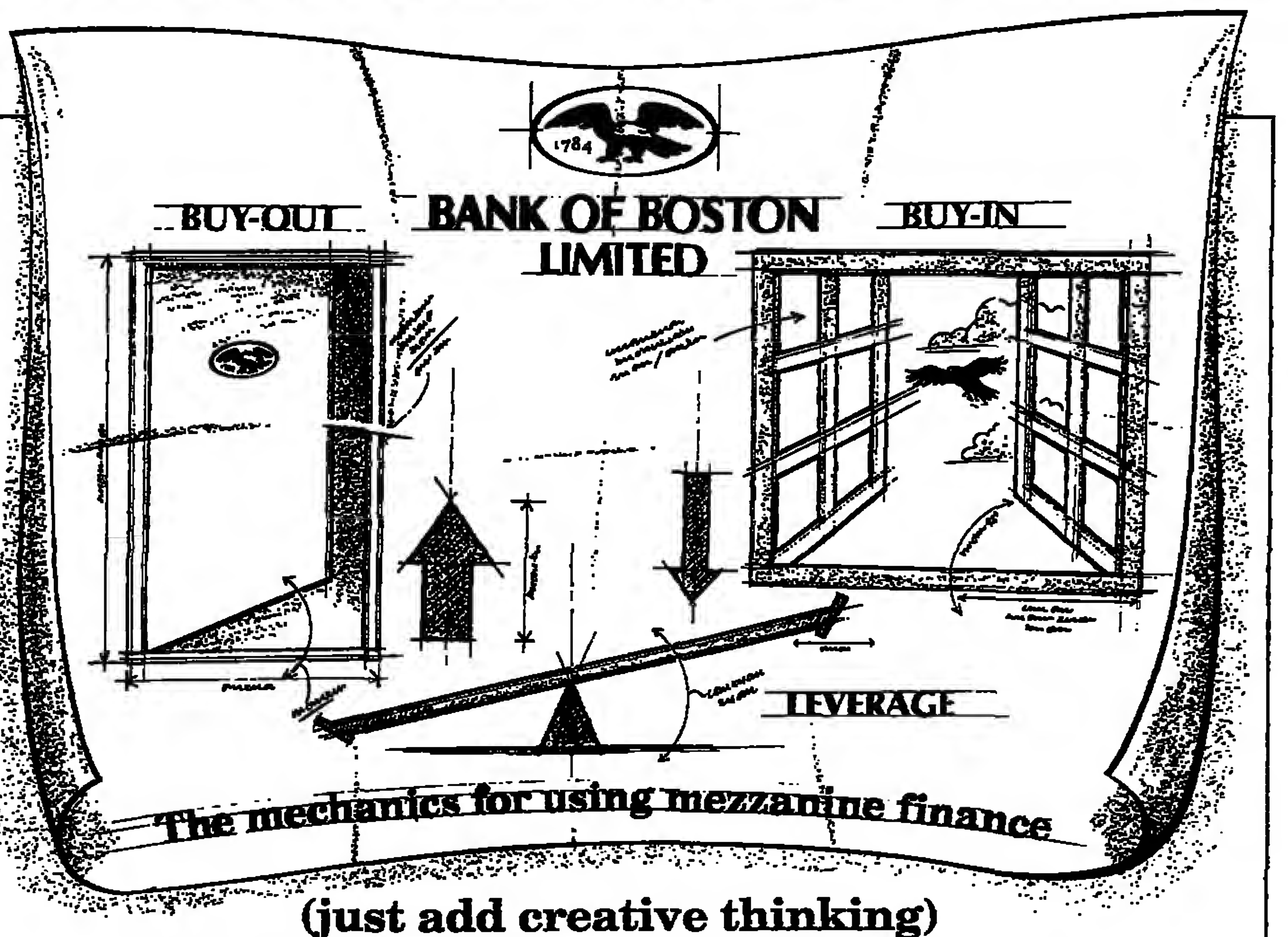
Undoubtedly an Esop can provide many benefits. The company is able to raise new capital from within and should *be able* to obtain corporation tax relief not only on the interest but also on the principal elements of the associated borrowings. Employees are given a reward for their services and, as shareholders, can participate in the company. Shareholders have the chance to realise part of their holding without bringing in outside capital; and a ready market is created for share dealing in a private company.

However, Esops are not without their risks. "The borrowings needed to set up the Esop can be burdensome, especially in recessionary times," says Mr Hurlston. As with all shares, the price may go down as well as up and employees could find that what once looked like a generous gift may be worth little at the point where they can sell.

There may also be no market for the shares: in a private company employees can only really sell shares when the EBT or other employees are prepared to buy them. Furthermore, unless there are preference shares, dividends are only likely to be paid once the company is in profit and has made suitable provisions for the repayment of loans. For the Esop to run well, the company must maintain good communications with staff.

While some companies will view this as positive, many *may see it as an onerous task* they could well do without. Perhaps the biggest risk of all lies in the management team. Are they capable of making the company highly successful?

Nevertheless, of those who have Esops, all are positive about their worth. "The Esop has meant we can provide employees with an incentive in the early years of our company and when we could not afford to pay a bonus," says Mr Johnson. "But the full benefit of the Esop lies in the long-term when we have a dividend policy and there is an open market for the buying and selling of shares."



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PROFILE: Sitex

Company doctor finds a 'piece of action'

KEITH WILLIAMS is an engineer by training and a trouble shooting company doctor by occupation. He has a fondness for getting his "hands dirty" and a head for business and management. It has won him friends in the City. In July, it won him his first company.

After eight years as a much-travelled management consultant tending to ailing engineering companies, Mr Williams set his sights on a "company of his own". Sitex Security Products was the target. Mr Williams is now its chief executive, the result of a £13.8m management buy-in and buy-out.

Sitex is a London based fitter of security grills and doors whose 70-odd fitters mostly attend to Britain's inner city estates: vandalism, squatting and the physical ills of urban life mean work for Sitex. It was founded in 1981, grew rapidly and three years ago was sold to Turnbull Scott Holdings, a property and shipping group.

Sitex continued to perform well (today it has a £7m turnover); its parent did not. Burdened by heavy borrowings, Turnbull decided to concentrate on its core activities and Sitex was put up for sale.

The company's two founders suggested to two of the existing directors that they consider a buy-out

For two years Mr Williams had been looking for a "genuine piece of action" – an engineering company, on its feet, but still under-performing and in which he, as the top man, would have the final word. City contacts fed him with details of potential targets and he eventually saw about 20, all of which were unsatisfactory.

Meanwhile at Sitex, the company's two founders (who had been retained after the sale to Turnbull) had suggested to two of the existing directors, Mr Ian Brooker and Mr Bernard Willis, responsible for commercial and financial affairs respectively, that they consider a buy-out. Neither had any experience of buy-outs nor any previous dealings with the City.

In February, Mr Williams heard of Sitex's sale "through the grapevine" and immediately made a telephone call to Mr Brooker.

Brooker and Willis realised that Williams – the buy-in element – had City connections

"It was a completely cold call," says Mr Williams "and I'm sure the initial reaction from Ian was, 'Well, here's an outsider trying to take control of a company I've been running on a daily basis for the past year.'

"I made it apparent from the outset that [while I wanted to keep Ian and Bernard on] I would only be interested in taking part as chief executive." And, there would be no role for Sitex's founders in his plans for the company, Mr Williams added.

Whatever Mr Brooker and Mr Willis' initial misgivings, they realised that Mr Williams – the buy-in element – had City connections.

Phildrew Ventures, a venture capital firm, was alerted by Mr Williams, who was confident Sitex would satisfy its requirements for backing a proposed venture: it was a profitable company with entrepreneurial flair and with a young buy-in/buy-out team waiting in the wings. Its product/service was also recession-proof.

At Phildrew, Mr Williams was regarded as a capable operator. Mr Charles Gonszor, the Phildrew partner who structured the Sitex buy-out/buy-in deal, had known him from their days at Coopers & Lybrand, the accountants, where they had once both worked. Mr Gonszor had moved on to Citicorp, for whom Mr Williams performed several "company surgeries" during the 1980s.

Phildrew's final, successful bid was not the highest but it was in a strong position. And so it proved

By March, Turnbull produced a short-list of bidders which included the buy-in/buy-out team and several trade bidders, including Hays and Reliance Securities. In April, Phildrew presented its preliminary offer.

Turnbull was keen to sell quickly. And it wanted cash up front. Any request for deferred payments would hinder a bid, while seeking shareholder approval for the purchase would delay the process. Phildrew knew that these factors would prejudice the rival bids.

Certainly Phildrew's final, successful bid was not the highest but as a financial bidder which could move swiftly, it was in a strong position. And so it proved.

By May, the balance of opinion favoured a buy-out/buy-in. Turnbull introduced a shut-out – it allowed Phildrew to proceed exclusively and produce its final package within three weeks.

"In effect it meant the deal was won. For the next three weeks we worked around the clock putting together the business plan and completing the due diligence process."

But at this stage there was still some unease on the part of Mr Brooker and Mr Willis at the thought of an outsider coming in and taking over as chief executive. Several critical topics still had to be thrashed out. Foremost was defining the roles of the three men and finalising their remuneration packages.

"There were some difficult moments. I said the institutions would not back us unless we were united. And unless we were, then I would not want to proceed. We had a long session in which we collectively reached an agreed position. On pay and shareholdings, we each got what we had sought. It took about four days for it to settle down," says Mr Williams.

Also, since Phildrew would continue working with the team after completion (it has a non-executive director on the board) it was vital the three men were willing partners. If not, then Phildrew's investment would be jeopardised.

In addition, an unwelcome diversion for Mr Brooker and Mr Willis was that as directors, they were obliged to make presentations to other prospective buyers at the same time as putting together their own package.

On May 24 Phildrew's offer of £13.8 was accepted. The total package, including legal fees (Phildrew's alone was £230,000) and accountants fees (£50,000), was £14.5.

This comprised £1m in ordinary shares (of which Phildrew took up 780,000, venture capitalists Intermediate Capital Group (ICG) 70,000, and Sitex management 150,000); £4.5m worth of shareholder stock which was wholly subscribed by Phildrew; £5m of loans provided by Bank of Scotland; £2m of loans by ICG, and an additional £2m of working capital from the Bank of Scotland.

Williams, Brooker and Willis took up 15 per cent of the ordinary shares. This was divided between Mr Williams (4 per cent or £40,000 worth of shares), Mr Brooker and Mr Willis (3 per cent each, £30,000 each) and the balance divided among 12 regional directors and key staff such as foremen. The minimum allocation was £500.

'For us the attraction of the deal was a management headed by a man whose track record we knew'

No allocation was made to staff below foremen level apparently because it was thought they would not be interested. Instead, Mr Williams has introduced a profits related pay structure for staff.

Negotiations had proved trouble-free, save for disagreements on the revaluation of Sitex's freehold property in London.

"For us the attraction of the deal was a management headed by a man whose track record we knew," said Mr Gonszor. And despite some early unease, "the three men make a good team; the chemistry was right".

Khozem Merchant

The buy-out team on the Sitex deal: From left, Ruth Storm of Phildrew Ventures, which led the buy-out; and Sitex's Ian Booker, commercial director; Bernard Willis, financial director; and Keith Williams, chief executive officer.

LEADING ACCOUNTANTS

	No of deals
KPMG Peat Marwick	107
Coopers & Lybrand Deloitte	55
Price Waterhouse	42
Touche Ross	38
Ernst & Young	30
Arthur Andersen	25
Others/none/ not known/ (duplication)	24
TOTAL	321

Qualification: acted in £10m+ deals
Percentages refer to deals in which mezzanine was used

Source: KPMG Corporate Finance

ANALYSIS OF MBOs by quarter

Quart	MBOs over £10m No	Value (£m)	Av (£m)	Est value of smaller MBOs (£m)	Total value (£m)
1985					
I	5	60	12	50	110
II	4	100	25	50	150
III	5	450	90	50	500
IV	9	260	29	50	310
	23	870	38	200	1,070
1986					
I	4	220	55	90	310
II	10	410	41	90	500
III	6	120	20	90	210
IV	7	190	27	90	280
	27	940	35	360	1,300
1987					
I	9	230	26	120	350
II	7	430	61	120	550
III	9	1,420	158	120	1,540
IV	8	670	84	120	790
	33	2,750	83	480	3,230
1988					
I	7	380	54	140	520
II	11	470	43	140	610
III	16	2,150	134	140	2,290
IV	21	1,510	72	140	1,650
	55	4,510	82	560	5,070
1989					
I	14	600	43	150	750
II	24	1,100	48	150	1,250
III	13	3,410	262	150	3,560
IV	20	740	37	150	890
	71	5,850	82	600	6,450
1990					
I	16	550	34	180	730
II	14	700	50	180	880
III	18	600	33	180	780
IV	13	260	20	180	440
	61	2,110	35	720	2,830
1991					
I	7	120	17	150	270
II	13	580	45	150	730
III (to date)	6	200	33	80	280
	26	900	35	380	1,280

Source: KPMG Corporate Finance

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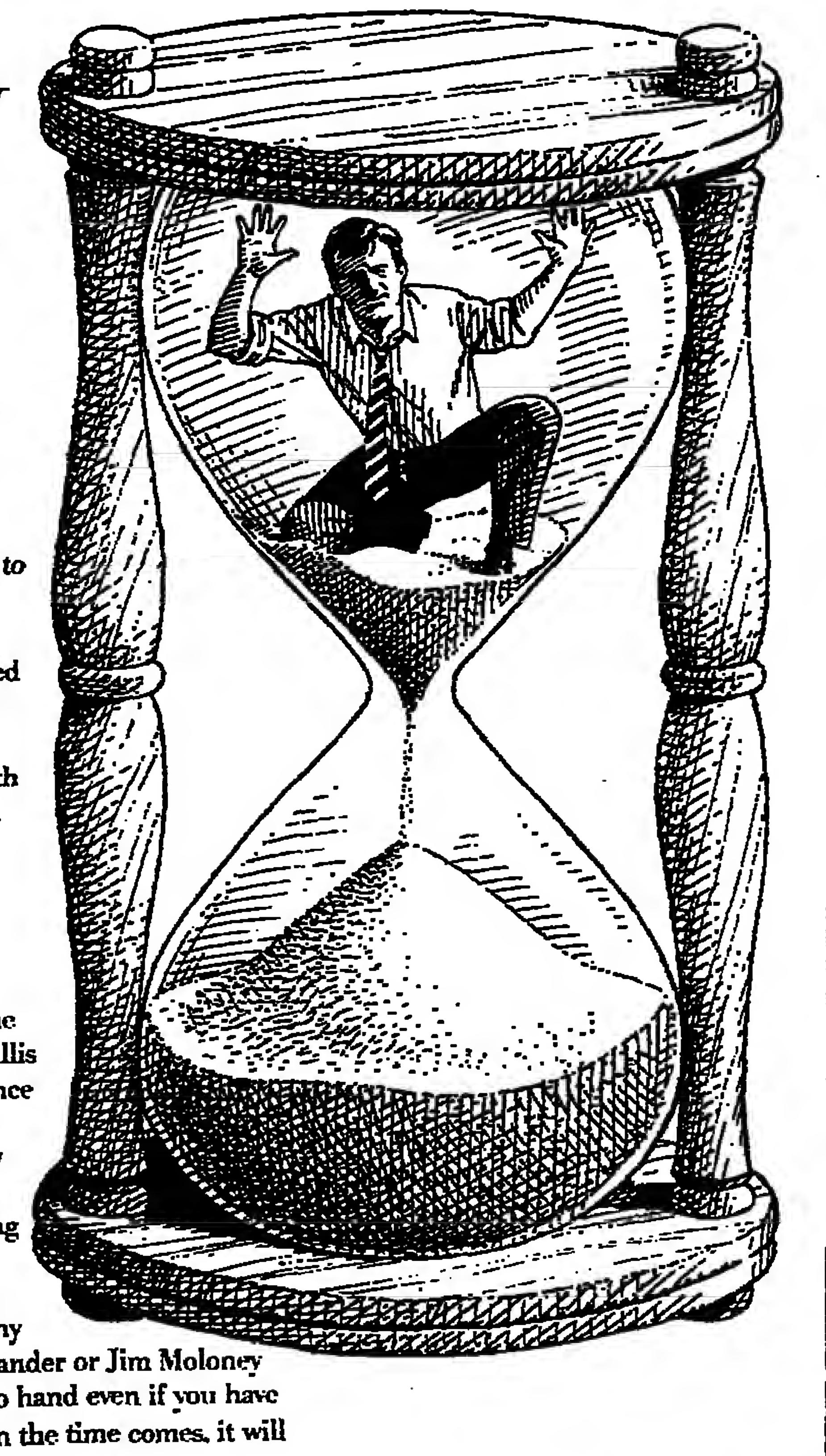

In the early days of planning a buy out, time is at a premium. It may be difficult to address the question of insurance satisfactorily.

However, Willis Corroon has developed a scheme which can provide your management team with valuable time.

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The Willis Corroon management buy out scheme includes a scale of discounts which can be applied to premiums during the first three years. Premium payments can be made by an attractive instalment arrangement. For more details, contact any Willis Corroon office or telephone Joe Mander or Jim Moloney on 0734 509311. Keep this information to hand even if you have no immediate need for the scheme. When the time comes, it will be one thing less to worry about.

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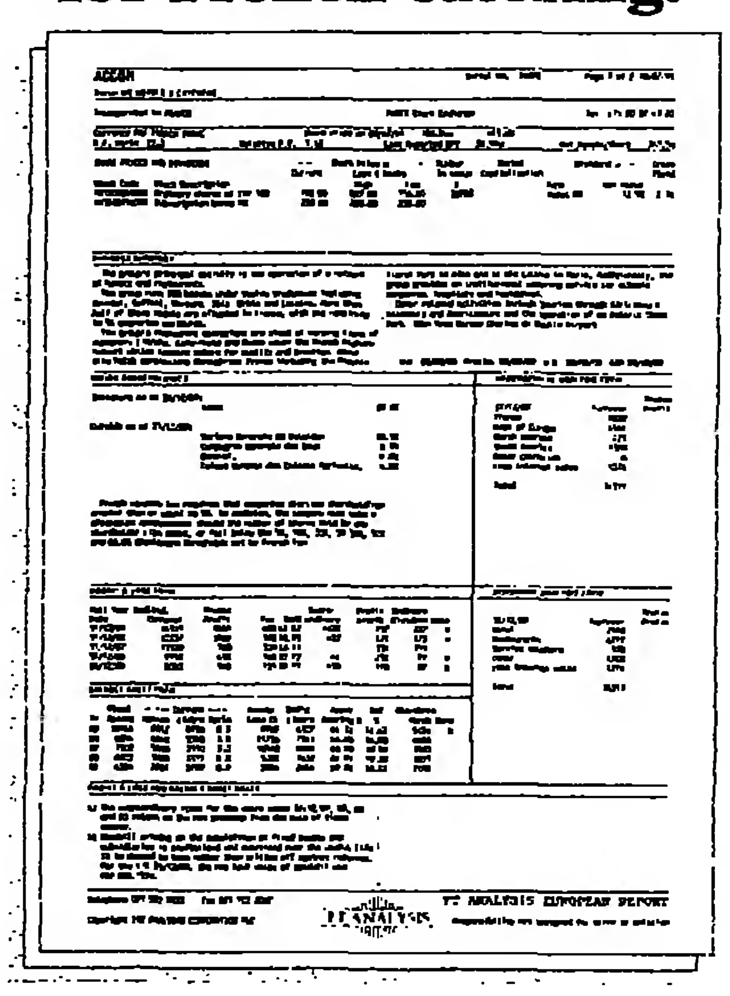
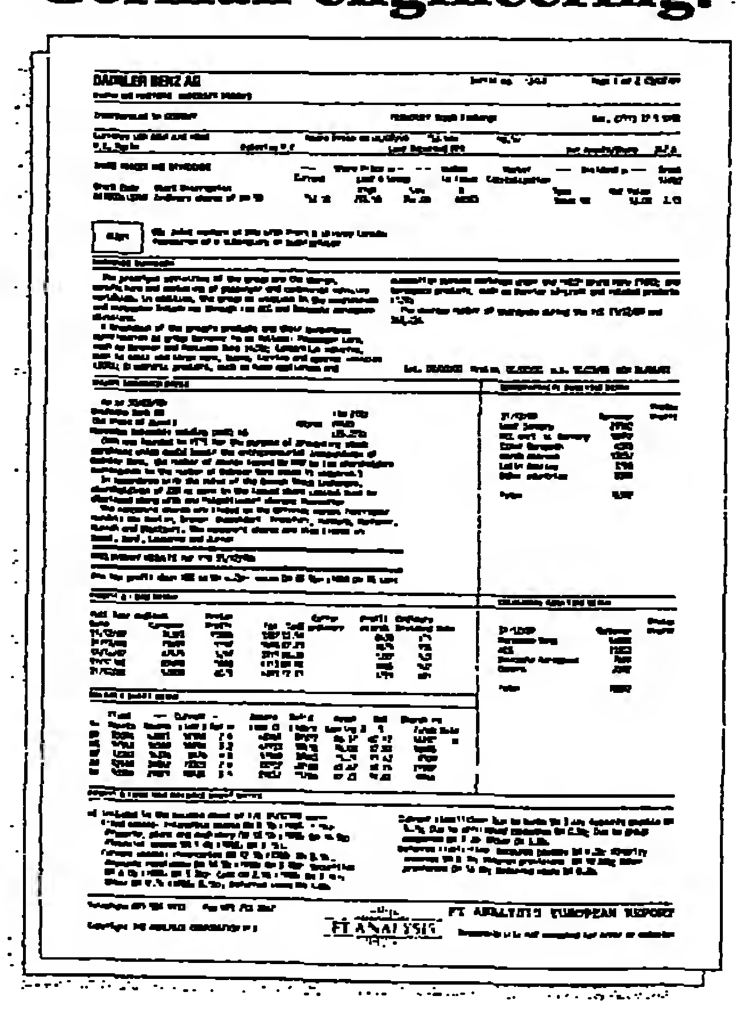
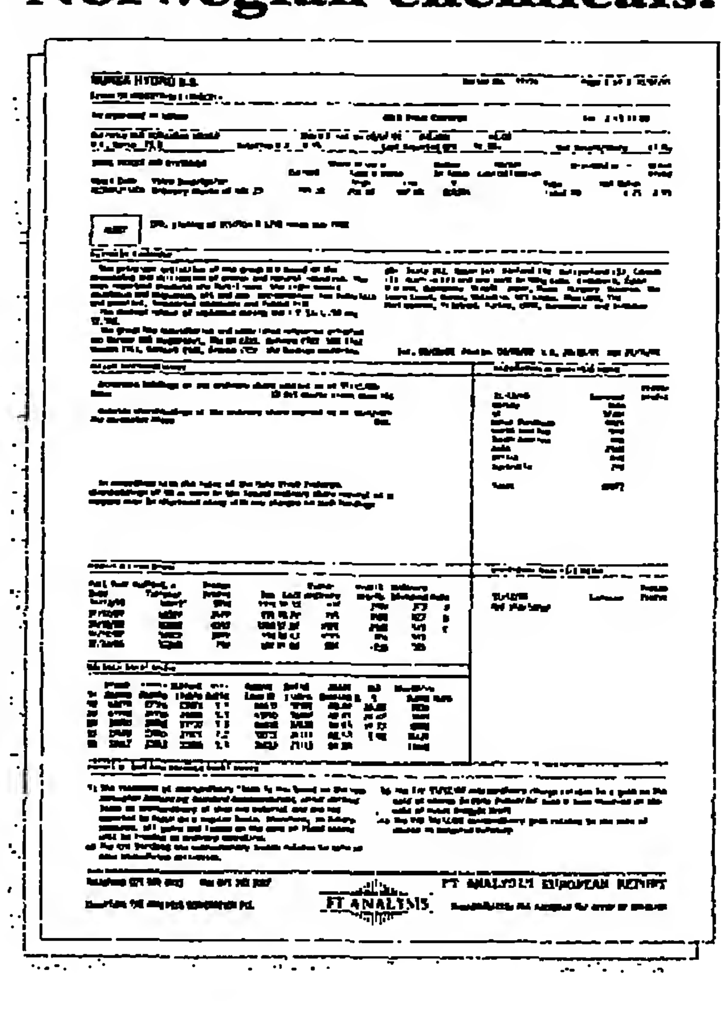


The specifications for German engineering.



The formula for Norwegian chemicals.



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MBOs 11

RECEIVERSHIPS OF BUY-OUTS AND BUY-INS

	'85	'86	'87	'88	'89	'90	Jan-June '90	Jan-June '91
Buy-outs	1	6	5	8	25	64**	30	46
Buy-ins	–	–	–	2	8	29	11	21

* Includes public buy-ins ** Includes quoted buy-outs in receivership Source: CMBOR

PROFILE: What happened to Opella

A cautionary tale: one that went sour

TWO years ago, Mr George Humphries was enthusiastic and bullish about the prospects for Opella Mouldings, the plastics company that he, as managing director, and the rest of the directors had just bought in a management buy-out.

Now he is out of the job and out of pocket by about £75,000; Opella went into receivership in March this year.

Mr Humphries had been at Opella seven months when the buy-out was arranged. Opella in its former guise of IMI Mouldings, a subsidiary of the big Birmingham metals group, had been poorly run and did not fit easily with IMI's business.

Mr Humphries had extensive experience of plastics technology, and was brought in to sort the company out with an option to buy. Five directors and the non-executive chairman drew up the buy-out plan and the deal went through in June 1989.

The deal was highly leveraged – the price of about £4.5m came mostly through loans

The deal was highly leveraged – the price of about £4.5m was paid mostly through loans from SUMIT, the equity portion being worth only about £250,000.

About 40 per cent of this was also taken by SUMIT, leaving about £150,000 to be funded by the seven buy-out team members. With Mr Humphries putting in the lion's share of £75,000, the other six had each to supply between £10,000 and £15,000.

Mr Humphries could not be contacted this week, but Mr Talbot-Rice reckons the high leverage was one of the big problems. Then the recession took its toll.

Opella supplied plastics fittings such as bathroom taps to the building trade and to DIY stores, which were badly affected: when the downturn hit them in spring 1990, some cut their orders by 50 per cent, says Mr Talbot-Rice.

Mr Humphries' enthusiastic plans to make new products, such as a bathroom range targeted at continental Europe in preparation for the liberalisation of the European market in 1992, went awry.

Expensive tooling was bought to make products that were subsequently unsuccessful, says Mr Talbot-Rice. New customers did not materialise.

Mr Humphries said in 1989 that the problems left by IMI delighted him because "it was in such a mess that I decided it had so much potential, particularly if I could get it at a discount".

Then Mr Humphries could reel off the company's difficulties: "They [IMI Mouldings] had got manufacturing and factoring mixed up. "They had two sets of people – twice as many people as needed – and two sets of machines.

"They got people in who knew nothing about the materials: they had two or three MDs in the last year. They had 30 quality control inspectors – now we have seven.

Scrap rates were high, and some parts were costed for twice the raw material content to allow for making two."

Delta has similar metals interests to IMI with a plastics mouldings side which makes plumbing and garden items "complementary" to Opella's, says a representative.

"The recession has hit them quite hard," says the representative, adding that there was
there was a raft of different types of data processing systems that were incompatible. "We are still working quite hard to establish our costs."

The recession has increased the casualty rate among buy-outs arranged in 1988 and 1989, says Mr Talbot-Rice.

"There are quite a few cases where pain has been extracted."

Buy-outs are "still an attractive way of making money", but SUMIT has become more cautious over which deals it picks.

"Opella was a financially attractive deal if it had worked," he says. But when further backing was needed SUMIT looked hard at the core business – "you might ask why we hadn't done that in the first place" – and decided to pull out.

Delta took on all the staff except Mr Humphries (who had left a few months earlier), Mr Mike Green, the chairman, and the finance director.

The new managing director, Mr Peter Taylor, and the finance director, Mr John Healey, joined from Delta.

There were about 30 redundancies, and Delta sold the DIY stores distribution side to concentrate on the wholesale trade.

When it went into receivership, Opella owed about £1m in a bank overdraft and another £3.5m to creditors – altogether, about the same amount as had been paid for it in 1989. Then, it was showing a loss of about £1m a year.

In 1989, Mr Humphries said: "There's nothing like the threat of execution to focus the mind."

He mentioned the strain that a buy-out puts on home life, and said that "you hope to do it only once".

Perhaps that was once too many.

Elisabeth Tacey

This announcement appears as a matter of record only August, 1991

Management Buy-Out

of

LUMALAMPAN AB

Initiated by

Sparbanken Kronan

Equity Arranged, Structured & Negotiated by

Procuritas AB

Equity Underwritten by

Procuritas MBO Invest A/S
Procuritas MBO Invest LP
Procuritas Direct MBO Investors

Senior Debt Underwritten by

Sparbanken Kronan

PROCURITAS

This announcement appears as a matter of record only March, 1991

Procuritas MBO Invest Consortium

a Nordic Buy-Out Fund advised by Procuritas

The Prudential Insurance Company of America
advised by PIC Capital Group

Postel — Prudential-Bache Interfunding Inc.
SPP — Midland Montagu Ventures Ltd.
IBM UK Pension Fund* — Strathclyde Regional Council Superannuation Fund*
OY Investa AB — Kleinwort Benson
Sparekassen Bikuben — Företagspartner IBP Invest AB
Sparbankernas Förvaltnings AB — Sparebanken NOR

Buy-Out Holdings Ltd.

*Clients of GT Venture Management Ltd

Procuritas are specialised in initiating and structuring management buy-outs in the Nordic Region. We have organised buy-outs for a total value of more than 5 billion Swedish kroner.

Procuritas have now raised a buy-out fund with capital of several hundred million Swedish kroner, enabling us to complete significant Nordic buy-outs. We are continually discussing potential management buy-outs with companies, managers and advisers.

If you wish to discuss a buy-out situation, please contact Mikael Ahlström, Jens Schrøder or Christoffer Bergstrand on +45 31 95 87 00.

PROCURITAS

This announcement appears as a matter of record only

Management Buyout of

Adis International

purchased from The Dun & Bradstreet Corporation

with equity provided by its

Management Team

and total debt finance of

US$17,700,000

Senior debt provided by

BHF-Bank
Kleinwort Benson Limited
Westpac Banking Corporation

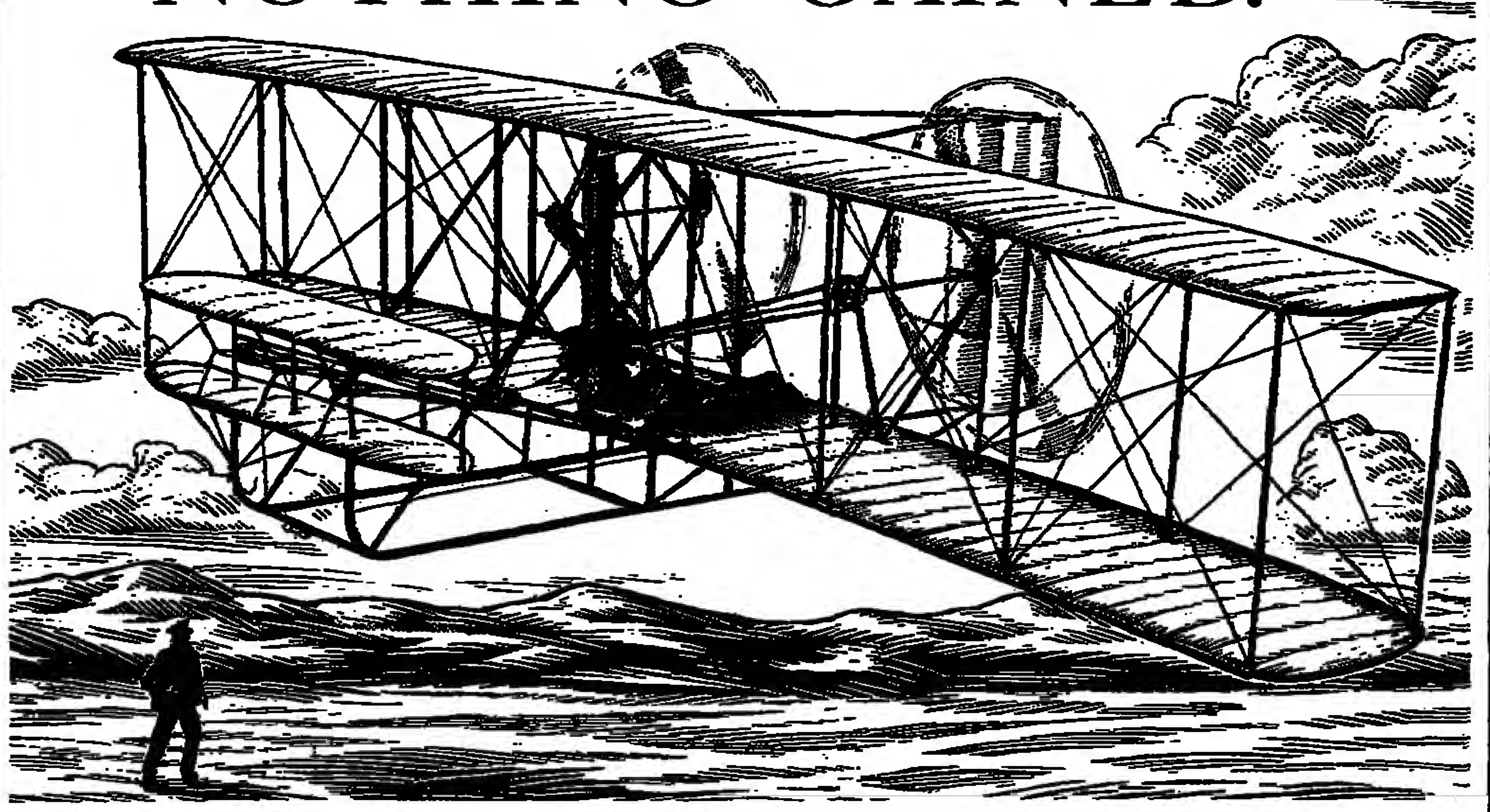
Mezzanine finance provided by

BHF-Bank
Kleinwort Benson European Mezzanine Fund

The undersigned arranged, underwrote and placed the senior and mezzanine debt

Kleinwort Benson BHF-BANK

NOTHING VENTURED, NOTHING GAINED.



It really is extraordinary what you can achieve with the right attitude – and the right support.

Orville Wright took to the skies over Kill Devil Hills, North Carolina, in the first powered flight.

Alan Goodenough and Norman Jones pulled off a very unusual £26 million management buy-in to establish Lyric Hotels – simultaneously acquiring eight hotels from four separate vendors.

Dr Michael Peagram and the management team at Holliday Chemical Holdings raised £23 million to acquire the inorganic chemical manufacturer William Blythe & Co – their second acquisition to be backed by institutional funding since the company completed its management buy-out in 1987.

And meanwhile in Paris, a new management team achieved a successful buy-in at the leading French jewellery retailer Histoire d'Or – and are already seeing strong growth, both organically and through acquisition.

Orville Wright was supported not only by wire and canvas, but also by the skill and dedication of his brother Wilbur.

All of the other examples were backed by County NatWest Ventures.

In 1991, through our network of offices in London, Birmingham, Bristol, Edinburgh, Leeds and Manchester, we have invested no less than £56 million in over 50 businesses to date.

And since we led the majority of those transactions, our skills in structuring and our ability to make an early commitment played an equally important role in helping our clients' plans take wing.

This record goes some way to disprove the idea that buy-ins and buy-outs, and development capital investments, only make sense in a buoyant economy.

Quite the reverse. A time when prices are more realistic may well be a time which presents outstanding opportunities to management teams with vision, ability and determination.

To help you envisage what you could achieve, we've prepared a 35-page brochure which gives detailed case histories of a wide variety of recent County NatWest Ventures investments.

For your copy, call Denise Sands on (071) 375 5421, or write to her at County NatWest Ventures, 135 Bishopsgate, London EC2M 3UR.

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MANAGEMENT BUY-OUTS & BUY-INS | DEVELOPMENT CAPITAL | EXISTING SHARE

MANAGEMENT BUY-OUTS 12

FUNDING OF LARGER MBOs FROM AUGUST 15, 1990

Deal leader		Total	Equity	Mezzanine	Debt	Mezzanine arranger	Debt arranger
3i	Chemical Manuf & Ref	10	2	2	6	3i	Barclays
3i	Toplis and Harding	21	12	–	9		Bank of Scotland
3i	DRG Litho Supplies	23	8	4	11	3i	Bank of Scotland
3i	Blanco	11	5	–	6	–	Nat West
3i	Gibson International	12	3	–	9	–	Clydesdale Bank
3i	Boythorpe	11	3	3	5	3i	Barclays
3i/Bank of Scotland	Macfarlan Smith	17	4	2	11	3i/Bank of Scotland	Bank of Scotland
Botts & Company	Nelson Hurst	38	23	–	15	–	Nat West/Bank of Scotland
Candover Invs	Blue Arrow Personnel	36	30	–	6	–	Bank of Scotland
Causeway Capital	Fogarty	12	2	2	8	Causeway Capital	Barclays
Charterhouse	Devro	108	28	12	68	First Britannia	First National Bank of Chicago/ Industrial Bank of Japan/RBS
CINVen	RPC Containers	37	23	–	14	–	Nat West
CINVen	Field Packaging	121	74	–	47	–	Barclays
CINVen	Conder Products	34	24	–	10	–	Samuel Montagu
CINVen	Data Sciences	103	44	–	59	–	Nat West
County NatWest V	Morris Homes	10	2	1	7	County NatWest	Nat West
County NatWest V	Anglian Fast Food	10	3	2	5	Nat West	County NatWest
County NatWest V	Wakebourne	14	7	3	4	County NatWest	Bank of Scotland
County NatWest V	Lyric Hotels	26	11	–	15	–	County NatWest
ECI	Drawlane	12	12	–	–		–
Euro Synergies	Eurovein 11	34	15	3	16	3i	Samuel Montagu
Foreign & Colonial V	Kingsgrange	17	9	–	8	–	Barclays
Legal & General V	Anglian Windows	84	26	5	53	Mithras	Barclays
Legal & General V	Pleasureworld	10	5e	–	5e	–	Bank of Scotland
Mercury Asset Mgmt	BrightReasons	18	10	–	8	–	Samuel Montagu
Morgan Grenfell DC	Inveresk	40	11	3	26	Morgan Grenfell	Morgan Grenfell
Morgan Grenfell DC	Taunton Cider	101	34	8	59	Samuel Montagu	Samuel Montagu
Murray Johnstone	Davenham	10	3	–	7	–	Nat West
Murray Johnstone	Eagle Taverns	17	4	–	13	–	Bank of Scotland
Murray Johnstone	Systems Reliability	16	8	–	8	–	Bank of Scotland
Noble & Co	Lambert Smith Hampton	10	4	–	6	–	Bank of Scotland
Phildrew Ventures	Utd Pressings& Fabrication	35	10	7	18	Intermediate Capital	Nat West
Phildrew Ventures	Sitex Security Products	15	6	2	7	Intermediate Capital	Bank of Scotland
Phildrew Ventures	Arncliffe Homes	11	2	3	6	Phildrew Ventures	Nat West
Prudential VM	PL Holdings	24	8	–	16	–	Bank of Scotland
Schroder Ventures	Fairmead	10	4	–	6	–	RBS
Schroder Ventures	English Glass	15	8	–	7	–	Continental
SUMIT	Saith	10	2	1	7	SUMIT	Barclays
Swiss Bank Corp	Canonbury	15	4e	–	11e	–	–
Yorkshire Bank DC	SMT Omnibuses	10	3	–	7	–	RBS
None / not known	Hoare Govett	16	4e	–	12e		
None / not known	West Midlands Travel	60	15e	–	45e		
None / not known	Goldcrest	17	–	–	17	–	Coutts
None / not known	LodgeCare	13	5e	–	8e		
None / not known	MediMedia	41	6	14	21	Kleinwort Benson/ BHF	Kleinwort Benson BHF
None / not known	Deb Group	12	–	–	12	–	Bank of Scotland
None / not known	John Wilman	12	1	4	7	Bank of Scotland	Bank of Scotland

Source: KPMG Corporate Finance

Managers of Thorn EMI Software staged one of the largest deals of the year in July with the £103m buy-out of their company, renamed Data Sciences, from Thorn EMI, the music and equipment rental group. Thorn has retained a 20 per cent stake in the company which made a pre-tax profit of £6.2m on sales of £117m last year. The buy-out was financed by CIN Ventures and National Westminster Bank. The MBO team was (standing, from left) Bill Ellis, Oliver Smith, Christopher Birks, Ian Taylor, (seated, from left) Esther Dye, Richard Atkins, Mike Smith and Steve Ingham

Elisabeth Tacey finds out how Conder conducted its buy-out

Financial backers initiate purchase in US style-deal

THE suggestion that the managers of Conder Products should be involved in a buy-out of the division from its parent, Conder Group, came from a slightly unusual source – the venture capitalists interested in backing the deal.

Unlike the US, where many buy-outs are initiated by the financiers, most UK deals are first proposed by the managers involved.

Conder Group, a construction business suffering from the downturn in the industry, was "desperate for cash", says Mr Brian Linden of CIN Venture Managers, a venture capital firm based in London. Conder Group wanted CINVen to buy a minority stake in the division – a suggestion in which CINVen was not interested.

"We are actually purchasers of businesses in cases where there is a management team we can trust," explains Mr Linden.

CINVen suggested that it buy a majority stake, the parent Conder keep a large minority stake and the managers of the division take a small holding between them. At this stage the Conder Products staff were drawn into the negotiations.

'CINVen has spent about £800m this year buying businesses where managers want to take a small stake and CINVen has faith in them to run it'

The deal is "more akin to a US leveraged buy-out", says Mr Linden. He explains that CINVen, set up to look after British Coal's pension fund and now with British Rail's and Barclays' funds, has spent about £800m this year buying businesses where the managers want to take a very small stake and CINVen has faith in them to run it.

CINVen, says Mr Linden, is not big enough to put its own staff into the businesses to run them – but it is keen that the managers take some shares in the business to "incentivise" them.

The amount put in is a lot to the managers but may be peanuts to CINVen: "Money's the last thing we need, what we want is hearts and minds," says Mr Linden.

The seven managers involved in the Conder Products buy-out have taken 5 per cent of the equity in ordinary shares, putting in "hundreds of thousands of pounds", Mr Linden says.

CINVen has paid £15m to Conder Group for 56 per cent in the form of redeemable preference shares, with up to another £8m to pay before October next year, depending on future performance. Conder Group has the other 39 per cent in ordinary shares.

The managers' 5 per cent could increase to a maximum of 15 per cent of the current equity "if all went sparklingly well", says Mr Linden. Profit growth, pre-tax and interest, of "20 per cent odd" a year for the first three years would raise their holding to 10 per cent, decreasing CINVen's stake by that amount, and there is a sliding scale for profits of less than that.

The last 5 per cent depends on the market capitalisation when the company is floated or sold.

"At some time there will be a natural exit", he says, but argues that because CINVen's funds are not closed-end the venture capital group is "not that hung up" about the date. He expects the managers to end up with between 9 and 12 per cent of the group.

Interest is covered three times in the first year – bank debt is £7m. The deal was completed in April, changing the official name of the company to Abbotts Barton Group – after the area of Winchester where the company is based – but it will hang on to the Conder Products name for trading purposes.

Mr Linden believes that 20 per cent profit growth each year is reasonable, considering Conder Products' business. The group designs, installs, erects and maintains furniture for garage forecourts – its main supplier is its parent, Conder Group.

It has 60 per cent of the forecourt canopy market in the UK, of which 150 need replacing each year. This makes up half the group's business.

It also sells off-forecourt tanks that separate oil from water, which are needed everywhere oil could get into the water system.

The European Community is set to tighten up the regulations in this area, making it compulsory not only to have a tank but to regularly maintain it.

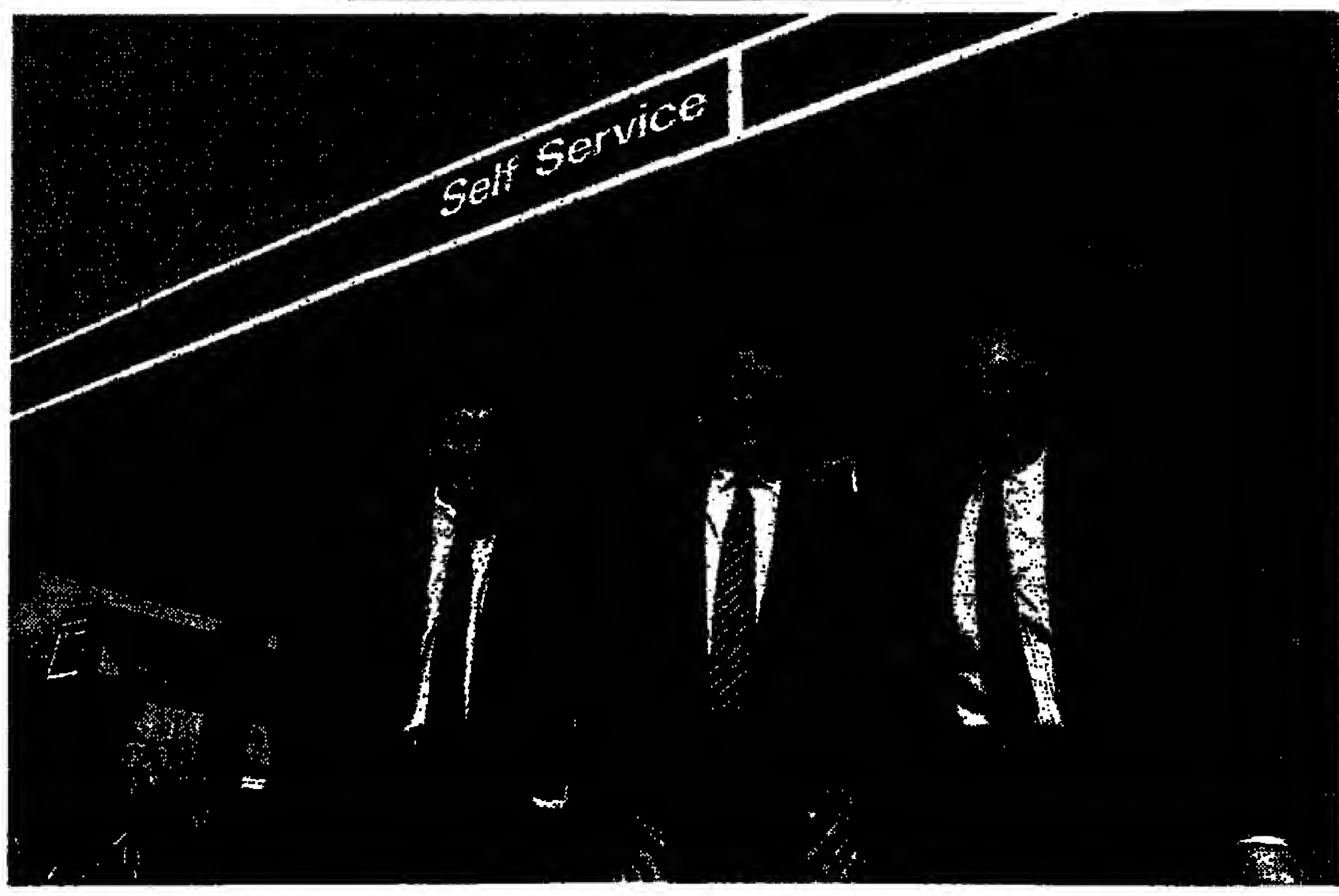
Conder Products also distributes fibre-reinforced manhole covers – that are strong and light enough to allow for regular lifting – throughout Europe and the US.

Mr Linden also expects expansion of the market for fabricated convenience stores in UK garages. In the US, he says, garage owners such as Exxon are keen that all their garage shops should look the same for easy identification by customers, so they have bolt-together fabricated housing for shops and car washes.

Conder Products both erects and maintains these shells, and Mr Linden says that "in the UK, that's going to be the trend – we hope".

The group has 60 per cent of the forecourt canopy market in the UK, of which 150 need replacing each year. This makes up half its business

Mr Graham Petty, managing director of Conder Products, says he sees the move as "a great opportunity to fully exploit our existing position within this niche market, and to concentrate on our core business."



The Conder team: Michael Olpin, finance director; Graham Petty, managing director; and Terry Parrick, director of administration

LEADING SOLICITORS

	Acting for: Deal leader	Manager	Total
Clifford Chance	65	26	91
Ashurst Morris Crisp	33	9	42
Allen & Overy	26	8	34
3i legal	24	0	24
Herbert Smith	14	9	23
Freshfields	19	3	22
Slaughter & May	9	11	20
Macfarlanes	13	6	19
S.J. Berwin	8	10	18
Alsop Wilkinson	3	13	16
Dickson Minto	5	11	16
Cameron Markby Hewitt	12	3	15
Lovell White Durrant	10	5	15
Evershed Wells & Hind	1	12	13
Nabarro Nathanson	5	8	13
Norton Rose	6	7	13
Turner Kenneth Brown	5	8	13
Travers Smith Braithwaite	5	5	10
Linklater & Paines	6	3	9
Simpson Curtis	1	8	9
Wragge & Co	2	7	9
McGrigor Donald	3	4	7
Dibb Lupton Broomhead	1	5	6
Wilde Sapte	5	1	6
Osborne Clark	1	4	5
Simmons & Simmons	0	5	5
Taylor Joynson Garrett	1	4	5
Berwin Leighton	2	2	4
Dundas & Wilson	2	2	4
Gouldens	2	2	4
Kimbell & Co	0	4	4
Theodore Goddard	0	4	4
Others	24	102	126
None/unknown/(duplication)	8	10	18
TOTAL	321	321	642

Qualification: in £10 million plus deals, acted in four or more. Cumulative since 1991

Source: KPMG Corporate Finance

This announcement appears as a matter of record only

£101,500,000
Leveraged Acquisition & Buy-out
of ICI Soda Ash Products business in the U.K. and Kenya from ICI plc
by Brunner Mond Holdings Limited
(a company formed by management, institutional and industrial investors)

Byvest Advisors Ltd and Citicorp Venture Capital Ltd
jointly arranged the equity, mezzanine and senior debt for this transaction in cooperation with Commonwealth Investment Co Inc and Tianguis Ltd

Equity provided by
Citicorp Capital Investors Europe Limited
EuropEnterprise '92 Limited Partnership
Byvest Limited Partnerships
The Byvest Trust
Penrice Limited
Australian Mutual Provident Society
Commonwealth Funds Management Limited
Saudi International Bank Nominees Limited

Brunner Mond were advised by
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September 1991

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BM
BRUNNER MOND & COMPANY
£20,900,000
Mezzanine Facilities
part of the
£101,500,000
leveraged acquisition of the
ICI SODA ASH PRODUCTS BUSINESS
from
ICI PLC
Arranged and underwritten by
Intermediate Capital Group Limited
National Westminster Bank PLC
Acquisition Finance
Funds provided by
Foreign & Colonial Enterprise Trust PLC
Intermediate Capital Investments Limited
Mithras Investment Trust plc
National Westminster Bank PLC
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49 Bow Lane, London EC4M 9DL Telephone 071-329 0434
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Charles Batchelor looks at the best way to stage a buy-out

Professional advice vital in the process of deal-making

NEGOTIATING a management buy-out is a time of maximum tension for the management team involved. Most managers stage only one buy-out in their business lifetime so everything is new to them. And as the average size of buy-outs has fallen, the managers involved may have previously had responsibility only for small divisions or subsidiaries. They will have been far removed from the corporate centres of power where strategic and financial issues are discussed.

However, the buy-out concept has become much better understood in recent years and there are many advisers – accountants, lawyers, venture capitalists – who specialise in this field.

The first decision the managers must take is whether the business they are running is likely to be up for sale. Many have no idea of how well disposed group management would be to a buy-out, and fear putting their their careers in jeopardy if they put forward a buy-out proposal which is rejected. They are also uncertain about gaining financial backing.

Finding out whether group management is willing to consider buy-outs can be achieved by making an anonymous approach through an accountant or other business adviser.

The financiers who fund buy-outs prefer businesses in low technology areas with strong positive cash flows. They tend not to like high-tech businesses with uncertain prospects. Managers are most likely to get a financier and group management on their side if they are running either a non-core business, a profitable subsidiary of a cash-starved group, an under-performing business or a family-owned business with succession problems.

The managers must choose a lead professional adviser at an early stage. Some are used to handling the large deals, and charge accordingly, while others may specialise at the smaller end of the market. It is important that the managers feel comfortable with their advisers on a personal level because they will spend many months working together before the deal is completed.

The benefits of working with a professional is that he or she can act as a buffer between the managers and the vendor. Many managers find it difficult to adopt a dispassionate negotiating stance with the boss with whom they may have worked for many years. A professional adviser can take the heat out of negotiations and can also be realistic about pointing out the strengths and weaknesses of the business which is being bought. The managers may be reluctant to criticise the operation they have been running.

The composition of the management team is also important. It will require a strong leader to steer the negotiations and the company once it is independent. A mix of other skills is also necessary, most notably in marketing, production and finance. Managers with experience of getting their hands dirty will be preferable to a team consisting entirely of people from the top echelons of the corporate ladder. The latter may have grown too used to the support systems available in a large organisation and may not be the most suitable for running an independent business.

The smaller the management team, the better; if more than five or six people are involved, decision-making is slowed and the possibility of disagreements increases. An essential of any buy-out is a realistic business plan. Managers may want to compile this with the help of their accountant but it must be mainly the work of the managers themselves.

The financiers who back buy-outs warn against over-elaborate business plans devised on spread-sheet software and running into hundreds of pages. Some plans calculate the impact of minor changes down to the last decimal point but neglect to describe essential features of the business or of the managers themselves.

The plan should ideally consist of an executive summary, the background and recent history of the business; a description of the products or services; the markets and marketing strategy; profiles of the managers; and the strategy or future development. There should be summaries of past and projected profit and loss accounts, balance sheets and, crucially, cash flows.

The management team must raise enough finance to see the business through the early years without the need for a premature and embarrassing refinancing. At the same time it must avoid saddling itself with an impossible burden of debt. The banks now take a more cautious attitude to buy-outs and are unlikely to go along with plans requiring an unrealistic amount of loan finance.

The managers will be expected to invest a sum which may be sizeable in terms of their own personal wealth but will be small in terms of the overall financing package. Individual managers might be asked to provide between £25,000 and £50,000. The financial backers are usually happy to reward managers out of proportion to their financial input because they believe the managers will be motivated to do well by the business.

Ratchets, whereby managers rewarded with a larger stake in the company if they meet performance targets, have fallen out of favour recently, although some managers might find themselves asked to enter a ratchet deal. The reason for the unpopularity of ratchets is that they are regarded as promoting short-term thinking by management.

It might seem strange to managers negotiating their independence to start thinking about selling their company after a few years. Most investors, however, will be basing their financial calculations on an "exit" in three to five years' time. Managers usually expect to float their company on the stock exchange if it does well, but the most common exit route is a trade sale to another company. Managers must be prepared for the loss or limitation of their independence or start planning an alternative – such as buying in the outside investors' shares.

However exhausting the negotiations, they are only the start of the buy-out process. Once the deal has been done, managers have to learn the skills of running an independent company.

■ *Useful reading: Management buy-outs and buy-ins, Coopers & Lybrand Deloitte, free; Management Buy-Outs, Second Edition, by Ian Webb. Gower, £35; Management Buy-Outs & Buy-Ins, by David Franks and Lance Blackstone, Kogan Page, £17.95.*

LARGER MANAGEMENT BUY-OUTS 1981/91 BY SIZE

(Total funding in £m)

£m	1981/84	1985	1986	1987	1988	1989	1990	1991 (to date)
10-25	16	17	14	13	24	37	40	15
25-50	6		7	6	12	16	12	7
50-100	2	5	4	8	9	10	5	
100-250			2	6	5	5	3	4
250 +	1	1		2	5	3	1	
	25	23	27	33	55	71	61	26

SOURCE: KPMG Corporate Finance

This announcement appears as a matter of record only

THE FIRST ECU BUYOUT

MEDI MEDIA
INTERNATIONAL LIMITED

purchased from The Dun & Bradstreet Corporation

with equity provided by its

Management Team

and ECU and Dollar debt of

ECU 38,000,000

Senior debt provided by

AIB Capital Markets
Bank of Scotland
BHF-Bank
Kleinwort Benson Limited
NatWest Acquisition Finance

Mezzanine finance provided by

BHF-Bank
Kleinwort Benson European Mezzanine Fund

The undersigned arranged, underwrote and syndicated the senior and mezzanine debt

Kleinwort Benson BHF-BANK

This announcement appears as a matter of record only.

Arncliffe

£10,500,000

Management Buy-out of
Arncliffe Homes Ltd

PHILDREW VENTURES
structured, led and arranged the
financing of this transaction

Equity provided by:
PHILDREW VENTURES

Debt facilities provided by:
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MANAGEMENT BUY-OUTS 14

A look at the latest in buy-out reading matter

Book round-up

THE growing popularity of management buy-outs has prompted a wealth of guides intended to help managers assess the opportunities and the pitfalls.

Management teams will still need to take professional advice, but the instruction manuals available can help them through some of the choices they face before calling in the professionals. They also provide pointers to the choice of adviser.

■ The most comprehensive and most up-to-date is The Economist Intelligency Unit's Management Buy-Outs 1991/92. (Volume I, 320 pages plus Volume II, 288 pages. £85) This is the sixth edition of this guide, which has been expanded to two volumes to take in buy-outs in continental Europe and to provide a list of deal-makers and financiers throughout Europe.

This is a book for both the student of buy-out trends and the manager looking for practical assistance. The market overview is provided by Mike Wright from Nottingham University's Centre for Management Buy-Out Research, while advice on how to do a deal comes from Lance Blackstone of accountants Blackstone Franks.

National experts provide descriptions of six continental *European markets and* hints on how transactions are negotiated locally.

Mr Wright traces the growth of buy-outs in continental Europe to the point where, although the combined total of continental deals by number is still smaller than in the UK, they now exceed in value the deals being done in Britain.

The UK remains, however, the best developed individual buy-out market with tax and legal structures which are *adapted to the requirements of* the market and a wealth of financial and advisory specialists who are available to do the deals.

In continental Europe France, Sweden, Denmark and the Netherlands have proved the most supportive environments for buy-outs, while Spain, Italy and Germany remain the laggards. Activity is determined by the different business cultures, the availability of information, sources of finance, ownership structures and the sophistication of stock markets.

Turning to the practicalities of staging a buy-out, Mr Black*stone says* that many deals are frustrated by problems of communication, personality clashes and a failure to rise above vested interests rather than for any sound economic reason.

Avoid spending a great deal of time and money on professional fees until you are fairly sure the deal is feasible, he says. Do not agree a price at an early stage until you are sure you can raise the finance and that all the members of the *team are committed to going* ahead.

■ More modest in its scope is the Director's Guide to Management Buy-Outs (Institute of Directors. 76 pages. £9.95). This provides a more straightforward, text-book style description of many of the issues raised by a buy-out, including the nature of a director's duties.

The period immediately after the buy-out tends to be one of euphoria as the pressure of negotiations is off and management can get back to the business, the guide notes.

But it is important that the management gaps left by the sudden removal of those services previously provided by head office (buying, marketing, personnel) are quickly filled.

The veil of secrecy which surrounded the buy-out negotiations must be lifted and staff must be told what is happening if they are not to become confused and possibly demotivated.

They may feel that their careers are no longer as secure because they are now working for a smaller, independent *company. This is a real fear,* given that many buy-outs lead to cuts in staff numbers, at least in the early stages of the process.

■ A more briskly written resume of many of the problems facing the would-be buy-out manager is provided by Management Buy-Outs & Buy-Ins (Kogan Page. 150 pages. £17.95).

David Franks and Lance Blackstone (who also contributed to the Economist guide) tackle their subject in the shape of more than 120 section headings which are framed as questions.

This format is intended to allow the reader to dip in and out of the book quickly and conveniently as the deal progresses.

The answer to the question "What can we do to stop the vendor competing with us?" is "not a lot", even if specific provisions have been made in the sale agreement.

The courts are often reluctant to enforce restraint of trade clauses, particularly if they are too wide.

To be accepted as reasonable, the clause will probably require a time *limit, a tight* definition of the trades excluded and possibly a limitation to existing customers.

The surest defence, the guide suggests, is to make sure that you take over essential plant, trade marks, patents and contracts, and to buy up stocks of items with limited availability.

Negotiating a buy-out can take between 12 and 24 months from the time it is first seriously discussed to when the management takes over. This places great pressures on the managers who must continue running their business in the meantime.

At one moment all may appear to be going well and the next the entire deal may appear on the verge of collapse, the authors warn.

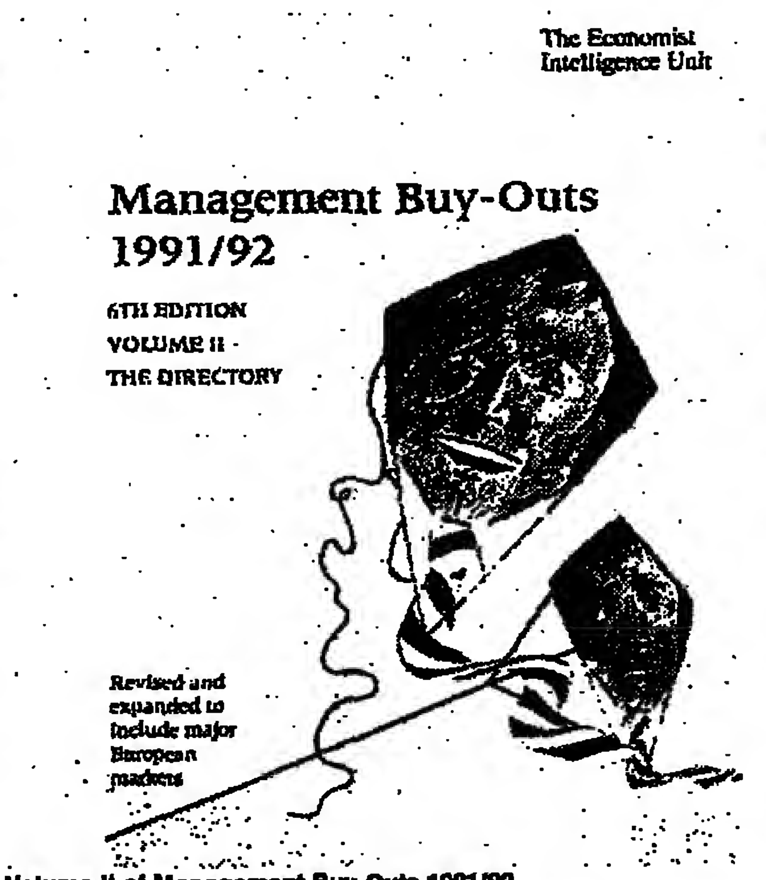
■ A less hurried approach to the subject of buy-outs is taken in Management Buy-Outs: A Guide for the Prospective Entrepreneur (Second edition, Gower. 164 pages. £35) by Ian Webb, who has a City and commercial background.

Mr Webb provides a lucid description of the main technical and practical issues that are involved, although for a cover price of £35, the scope of this book is rather limited.

After recounting the history of the buy-out, he moves on to the practical problems facing the manager. While at first sight it appears obvious that the parent company must be willing to sell, some managers *forget the obvious* in the excitement of the deal. Half the deals which get as far as the financing stage fail because the owner will not sell, Mr Webb notes.

In companies where buy-outs are a novelty and the decision-taking process unclear, managers may find it necessary to lobby discreetly in favour of a buy-out before openly declaring their intentions, he warns.

Charles Batchelor



Volume II of Management Buy-Outs 1991/92

COMPARISON OF LISTED AND UNLISTED MBOs OVER £10m

	Number			Value (£m)		
	Total	Listed	%	Total	Listed	%
1981-84	25	1	4	860	310	36
1985	23	2	9	870	70	8
1986	27	2	7	940	30	3
1987	33	4	12	2,750	480	17
1988	55	6	11	4,510	940	21
1989	71	12	17	5,850	3,780	65
1990	61	4	7	2,110	170	8
1991*	26	1	4	900	20	2
TOTAL	321	32	10	18,790	5,800	31

*(to date)

Source: KPMG Corporate Finance

Charles Batchelor finds high risk is a deterrent to backers

Management buy-ins fall out of favour

MANAGEMENT buy-ins, regarded until 18 months ago as an important new growth market for the buy-out specialists, have fallen rapidly out of favour.

The difficulties of matching buy-in managers with a suitable target company and the poor performance of completed buy-ins have contributed to a speedy disillusionment among many deal-makers. Unlike buy-outs, where the management team is taking over a company that it knows well, buy-ins involve outside managers who are unfamiliar with the business.

'Buy-ins were predicted to grow rapidly, but I think the industry has been disappointed'

"Buy-ins were predicted to grow rapidly, but I think the industry has been disappointed," comments Mr Robin Hall, managing director of CIN Venture Managers. "They are more risky than buy-outs, because you are backing people who don't know the business. It is unlikely that the venture capitalist can act as a marriage broker."

The poor experience of indi*vidual deal-makers* was confirmed last May with the publication of a study* showing that buy-ins performed considerably worse than buy-outs. The study, which was carried out by Nottingham University's Centre for Management Buy-Out Research, found that most buy-ins failed to achieve the financial targets set in their business plans.

The decline in the popularity of buy-ins is reflected in figures which show that just seven deals worth more than £10m each were completed in the first eight months of 1991, compared with 10 completed in the same period last year and 16 in the first nine months of 1989.

In contrast to the general pessimism about buy-ins, however, 3i, the most active participant by number of deals, expects to complete 40 to 50 transactions this year, a slight increase on the 1990 figure. 3i decided buy-ins were an attractive area on which to concentrate resources in 1988, when it created a register of 200 managers willing to lead a buy-in team. It has since matched many of these managers with target companies.

"We have the resources and the commitment to go into this area," says Mr Brian Larcombe, a 3i director. "The quality of our buy-in managers is high."

Other participants are sceptical, however, that managers can be signed up to take part in a buy-in at some unspecified future date. Good managers move on quickly to find another job, they say.

And even 3i has calculated that only about half of deals done are buy-ins in the purest *sense. Most deals are what 3i* has dubbed "bimbos" – buy-ins/management buy-outs – involving a mix of outside managers and existing insiders.

The greater risks associated with bringing in outside managers to take over the running of a company have been compounded by the economic downturn, says Mr Malcolm Cameron, head of buy-out finance at National Westminster Bank. "Buy-ins have not taken off as expected," he says.

Barclays Bank would look more carefully at a buy-in proposition and might be less generous in providing funding, says Mr Anton Fawcett, in charge of buy-out finance at the bank.

The most significant problems experienced by buy-ins surveyed by the Nottingham Buy-Out Centre were a rise in the cost of finance (the survey was completed before interest rates began to decline) and the discovery of "skeletons in the cupboard", a difficulty not encountered by buy-out managers who know the company intimately.

Smaller private companies, in particular, often had unsophisticated systems of financial control, and in some cases the vendor, let alone the purchaser, was not aware of stored-up problems.

In addition, buy-in managers often had a big company background and were not familiar with the problems of running a small independent company, according to the study.

The buy-ins most likely to underperform were the very small ones which had been bought from private, rather than public companies, and which were operating at a loss at the time of the deal.

The study suggested several ways to reduce the risks associated with buy-ins. The purchasers should carry out a more intensive analysis of the target company, talking to customers and suppliers as well as to the vendor, and defer part of the purchase price until any potential problems had been uncovered. Extra insurance should be taken out to cover legal costs, while close attention should be paid to warranties.

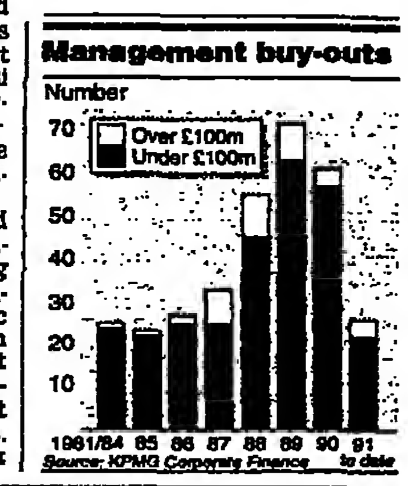
It will take some time before a final conclusion can be reached on the potential of buy-ins

Since buy-ins on any significant scale are a more recent phenomenon than buy-outs, it will take some time before a final conclusion can be reached on their potential, the Nottingham researchers noted. Despite problems of underperformance, the managers surveyed remained enthusiastic about the concept.

With unemployment expected to continue to rise in the coming months, the supply of managers available to stage a buy-in seems set to increase. This is no guarantee, however, of a revival of the popularity of the buy-in. Matching managers with companies and making profits once the buy-in has been completed will remain significant barriers.

**Management Buy-Ins, by K. Robbie, M. Wright and B. Chiplin. Available from Touche Ross, Hill House, Little New Street, London EC4. £50 plus VAT.*

Management buy-outs



Source: KPMG Corporate Finance

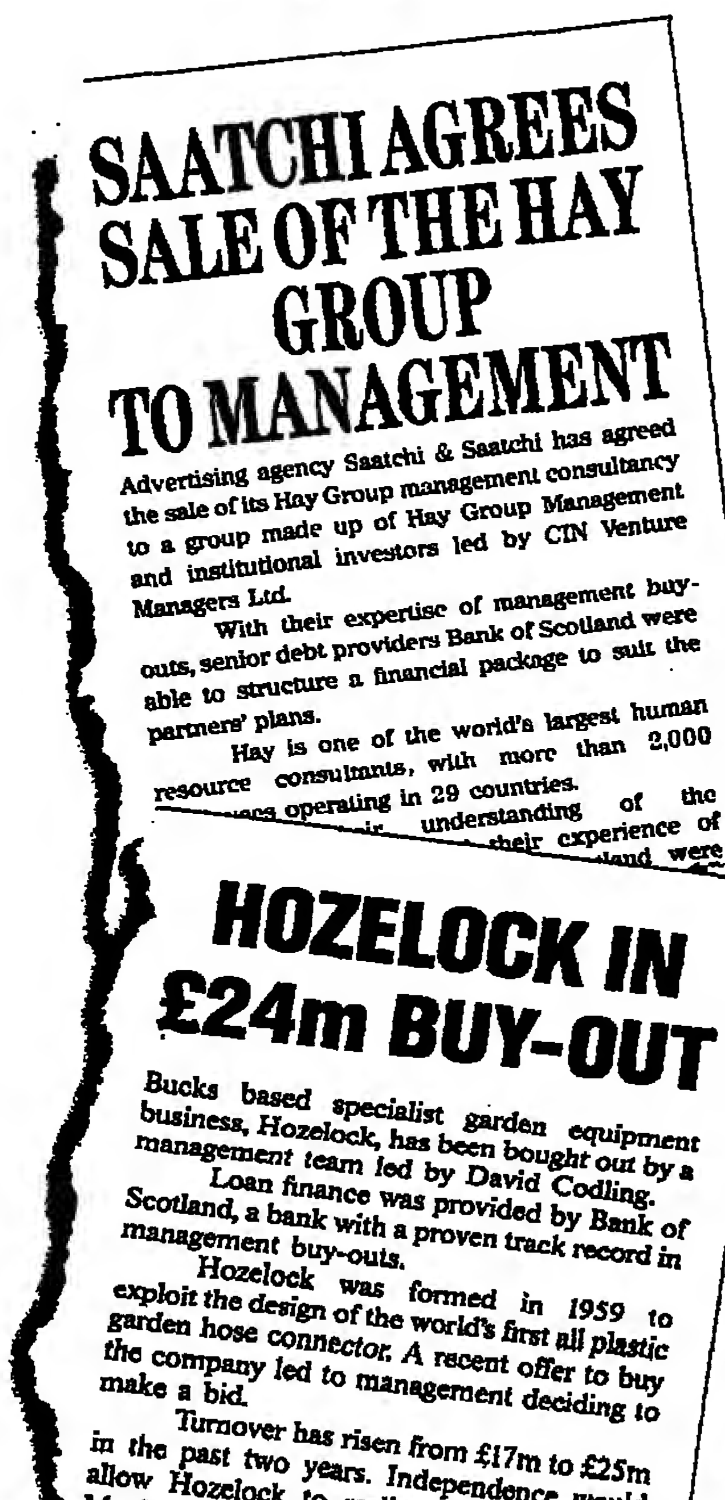
UK MANAGEMENT BUY-OUT EXITS

Year	Float*	Trade sale	MBO/MBI	Receivership**	No exit**	Total
1981	17	23	4	10	89	143
1982	23	3o	5	10	169	237
1983	26	35	4	14	155	234
1984	19	48	6	11	153	237
1985	24	37	5	18	179	263
1986	17	45	7	13	233	315
1987	15	43	6	30	250	344
1988	7	27	2	19	320	375
1989	0	10	3	29	332	374

*Includes USM, Third and OTC markets, reverse-ins and floats which were subject to trade sale etc **Includes re-financing

Source: CMBOR

IF YOU WANT TO MAKE NEWS, TURN TO YOUR FRIENDS.



SAATCHI AGREES SALE OF THE HAY GROUP TO MANAGEMENT

Advertising agency Saatchi & Saatchi has agreed the sale of its Hay Group management consultancy to a group made up of Hay Group Management and institutional investors led by CIN Venture Managers Ltd.

With their expertise of management buy-outs, senior debt providers Bank of Scotland were able to structure a financial package to suit the partners' plans.

Hay is one of the world's largest human resource consultants, with more than 2,000 ... operating in 29 countries. ... understanding of the ... their experience of ...

HOZELOCK IN £24m BUY-OUT

Bucks based specialist garden equipment business, Hozelock, has been bought out by a management team led by David Codling.

Loan finance was provided by Bank of Scotland, a bank with a proven track record in management buy-outs.

Hozelock was formed in 1959 to exploit the design of the world's first all plastic garden hose connector. A recent offer to buy the company led to management deciding to make a bid.

Turnover has risen from £17m to £25m in the past two years. Independence would allow Hozelock to realise its full potential Mr Codling said.

Bank of Scotland has established itself as a leader in the financing of management buy-outs for companies large and small. As a major UK financial institution, we provide a full range of services including leasing, factoring, and international banking as well as all the traditional skills of a clearing bank.

Our comprehensive and flexible finance package – tailored to suit each individual company – could be the deciding factor; the help you need to turn your buy-out into tomorrow's news.

For more information, call the nearest of our Corporate Division Senior Managers: Leith Robertson (Edinburgh) 031-243 5613; John Berry (Glasgow) 041-228 4462; or David Gibson (London) 071-601 6538.

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WHEN

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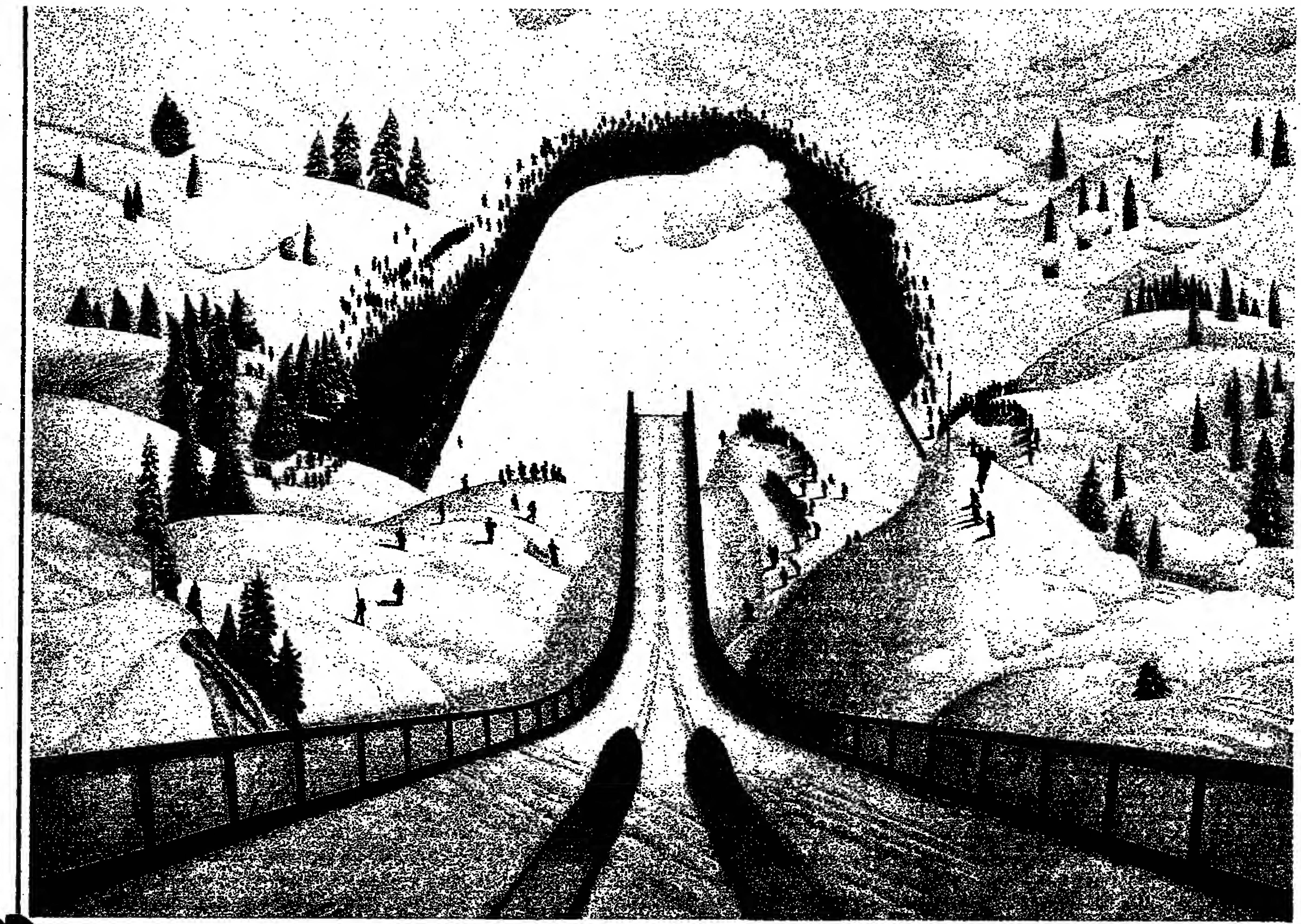

HOW DO YOU KNOW YOU CAN DO SOMETHING IF YOU'VE NEVER DONE IT BEFORE?

The simple answer is that you don't. No one who has ever struck out on their own ever has and no one ever will. So, as you stare over the edge of a management buy-out, contemplate starting your own business, or face buying into another company, at 3i we understand if you feel somewhat daunted.

But, though it may be new to you, there are people who have gone before. After over 45 years of successfully investing capital in a wide range of companies, 3i has been involved with a substantial number of those people. And, for the vast majority, success has been achieved through their own determination and skill, combined with 3i's investment resource and business experience.

Our experience gives us a pretty accurate idea of how the business could develop before you even get started. Our financial resources allow us to be both flexible and sympathetic. This combination of a long-term view with our industrial skills enables us to understand and share the risks of the venture with you. 3i's long experience of investing in people like you can offer the best way of ensuring the success of your business. So, before you leap, just contact your local 3i office.

3i Group plc and 3i plc are regulated in the conduct of investment business by SIB. 3i Group plc's overseas subsidiaries and associates are not authorised persons subject to the rules and regulations made under the Financial Services Act 1986 for the protection of investors.

To work flat out running a business only to see it end up flat on its back, is frustrating to say the least.

Especially when the business in question could have a real future, given the chance.

But if you are running the subsidiary of a large corporate parent company, you may not ever get that chance.

In good times, group priorities will always tend to outweigh yours, making opportunities hard to take.

And in a chilly economic climate, if a parent company catches a cold, junior goes down with it too.

No matter how healthy your underlying business prospects may be.

How can a company that finds itself in this situation get back up where it belongs?

Phildrew Ventures could be the answer. We are a small group of businessmen who specialise in helping talented management teams to buy themselves out from corporate ownership.

Because we're not a stuffy city institution, our interests are wider than just the immediate financial details of any deal. In fact, we pride ourselves that by putting our heads together with yours, we can help you develop the long term business and investment strategies, your company needs.

Unlike a lot of people in this field for instance, we take the trouble to stay involved after the buy out, to help with future acquisitions and capital requirements.

We can sometimes help out with introductions to new trading contacts too.

And being a small close knit team, we're flexible enough to make big decisions very quickly indeed.

So far we've helped to organise more than fifty major buyouts this way.

Giving the managements concerned precisely what they have always wanted; the chance to get up off the floor and get on with it.

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Creative Capital for Management Buy-Outs

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